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SUBMISSION  
TO  
ROYAL COMMISSION ON ENERGY

TRANS - CANADA PIPE LINES LIMITED

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W. Gordon.

Exhibit C-19-2

1958



SUBMISSION  
of  
TRANS-CANADA PIPE LINES LIMITED  
to  
ROYAL COMMISSION ON ENERGY

Presented by  
Charles S. Coates, President

February 1958



## MATERIAL SUBMITTED

1. Submission Binder (this volume):

Submission.

Tab. A - List of Witnesses and their Qualifications.

Tab. B - Prospectus.

Tab. C - Comparison of Selling Prices - Manitoba  
Zone to Emerson.  
Summary of Rate Schedules by Zones.

Tab. D - Map of Facilities - present and proposed.

Tab. E - Report on Construction as at 1 January 1958.

Pocket - A Discussion of Factors Relating to Trans-  
mission and Marketing of Natural Gas.

2. Present and Potential Canadian and Export Natural  
Gas Markets of Trans-Canada Pipe Lines Limited.




## TRANS-CANADA PIPE LINES LIMITED

### SUBMISSION

Mr. Chairman and members of the Commission, as President of Trans-Canada Pipe Lines Limited, may I say that it is with pleasure that I appear here today to present and describe to you the material prepared and assembled by our Company for your consideration in this phase of your hearings.

We have endeavoured in preparing and assembling our material to deal fully with the subject matter suggested in the syllabus circulated by your Commission insofar as the same may pertain to a gas pipe line transmission company and also to meet all requests made by your staff. We assure you at this time that we will supply you with any other or further material that you may deem necessary.

With me today are Messrs. <sup>Tanul,</sup> Tippy, Fowler, Clarke, Berry, Horte, Stewart and Orme. These gentlemen are here to answer any questions that you may have. The qualifications and general scope of testimony of each are set out under Tab. A following this text.



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It is the understanding of Trans-Canada that in the present stage of your hearings it is not desired that any submission be made covering the various policy matters included in the Commission's terms of reference, but that such submissions will be received at a later date. Trans-Canada desires to make such a submission at the appropriate time.

It is our further understanding that our submission with respect to the term of reference which specifically pertains to Trans-Canada will also be received at a later date to be fixed by the Commission. In connection with this latter submission, Trans-Canada proposes to submit to you all the pertinent facts comprising its history from the time of its incorporation up to the present time.

#### REPORTS AND OTHER DOCUMENTS

Pursuant to the requests of the Commission staff, we have filed various reports, contracts and other documents which have been prepared in the past in the course of the development of the Trans-Canada project. These are contained in seven binders. The material in each binder has been grouped as nearly



as practicable according to subject matter. I will briefly describe the contents of each binder.

1. Financing Documents.

This binder entitled "Financing Documents" contains a copy of each of the documents evidencing the initial financing of Trans-Canada in February 1957. These documents, particularly the Prospectus, set out completely the details of that financing. An additional copy of the Prospectus may be found under Tab. B following this text. At the present time the following securities are issued and outstanding:

<u>Security</u>	<u>Amount</u>
First Mortgage Pipe Line Bonds	
5-1/2% Series due 1978	\$8,347,000
5-1/4% Series due 1978	\$29,391,000 (U.S.)
5-1/4% Bank Loan due March 1, 1962	\$7,262,000 (U.S.)
Subordinated Debentures due 1987	
5.85% Canadian Series	\$54,166,700
5.60% United States Series	\$20,833,300 (U.S.)
Common Shares	5,853,184 shares



The remaining bond closings will take place on May 1 and August 1 of this year. As a result of those closings the Company will issue the remaining \$14, 663, 000 of the 5-1/2% Bonds and \$51,599, 000 of the 5-1/4% Bonds and will have borrowed the remaining \$12, 738, 000 of the 5-1/4% Bank Loan.

2. & 3. Economic Feasibility Report.

In addition we have filed, in two volumes, the "Economic Feasibility Report dated September 1956 with Supplements". This report was prepared by Commonwealth Services Inc. for and at the request of the Bond purchasers and the Underwriters of the junior securities on Trans-Canada's initial financing. Commonwealth Services Inc. is the independent engineer provided for in the Deed of Trust and Mortgage. As such this firm will, from time to time, make reports on various phases of the Trans-Canada system to the Bond purchasers.

4. & 5. Reports on Certain Gas Reserves and their Deliverability.

The first of these reports by DeGolyer and MacNaughton is entitled "Report on Certain Natural Gas Reserves Available to Trans-Canada Pipe Lines Limited, as of January 1, 1957". This



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report was prepared for presentation to the Federal Power Commission at the hearing in Washington respecting the proposed import of gas near Emerson, Manitoba, by Midwestern Gas Transmission Company pursuant to the contract with Trans-Canada.

The report is prepared in the form customary for presentation to the Federal Power Commission and contains estimates of the gas reserves available to Trans-Canada under the lands subject to the Gas Purchase Contracts of Trans-Canada as of the time of the report. The report also contains estimates of the reserves in each of the fields in which the contract lands are located. In addition to the summary sheets showing these reserve estimates by the contract lands and by fields, the report contains the customary tables setting forth the supporting data and the reservoir maps relied upon by the estimators.

The second report is by the same firm and is entitled "Report on Deliverability of Certain Natural Gas Reserves Available to Trans-Canada Pipe Lines Limited, as of January 1, 1957". This report was also prepared for submission to the Federal Power Commission and was submitted at the same time as the Reserve



Report just described. The report contains illustrative deliverability schedules of the various gas reserves described in the Reserve Report, showing how these reserves could be used to meet the requirements of Trans-Canada as set forth.

6. Contracts other than Gas Sales Contracts.

This binder contains the following contracts:

The first item is a copy of the Gas Purchase Contract dated the 18th day of January, 1957 between Trans-Canada and Home Oil Company Limited for the Nevis Field; followed by a one-page summary of each of Trans-Canada's presently executed gas purchase contracts. While each gas purchase contract varies from others to some extent the full contract that has been filed is, we consider, typical of the majority of our gas purchase contracts.

The second item is a copy of Trans-Canada's transportation agreement with The Alberta Gas Trunk Line Company Limited. Briefly, this contract sets out the terms and conditions under which Trunk Line will transport Trans-Canada's gas from the Alberta Fields to the western terminus of Trans-Canada's line.



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Item three is a copy of the agreement between Trans-Canada and Her Majesty the Queen in Right of Canada dated November 21, 1955 together with all subsequent amendments and supplements (including the assumption of that agreement by the Northern Ontario Pipe Line Crown Corporation) providing for the construction by the Crown Corporation of that portion of the pipe line system between the Manitoba - Ontario border and the vicinity of Kapuskasing, Ontario and the terms under which Trans-Canada shall rent and operate that portion of the pipe line and in due course purchase it.

Items four to nine are copies of employment and stock option agreements between Trans-Canada and Messrs. Tanner, Wallace, Atkinson, Craig, McNeill and myself.

7. Gas Sales Contracts

The binder entitled "Gas Sales Contracts" contains a copy of each of Trans-Canada's present gas sales contracts including the contract covering Trans-Canada's proposed sale to Midwestern Gas Transmission Company at the United States border near Emerson, Manitoba.



In connection with the proposed Emerson sale we have prepared a tabular comparison of the sale price under the contract for that sale with the rate schedule available to any purchaser in the Manitoba rate zone under similar load factor and other service conditions. This comparison will be found under Tab. C following this text.

We have also included under Tab. C a summary table of all of Trans-Canada's present rate schedules available in Canada.

Turning specifically to the subject matter outlined in the syllabus for this oil and gas section of the Commission's hearing, we now propose to deal with the topic, "Transportation and Market", as the same pertains to natural gas.

#### THE PIPELINE

The Trans-Canada system as planned and now under construction extends across Canada approximately 2,300 miles from a point within Alberta to the cities and communities in Eastern Canada.

The western terminus of the pipe line is located inside Alberta approximately one mile from the Saskatchewan border.



This point is commonly referred to as the "Saskatchewan Gate". From the Saskatchewan Gate, the pipe line follows the Trans-Canada Highway eastward from the Alberta border to the Port Arthur-Fort William area, then northward along Highway 11, across the clay belt of northern Ontario and then southward to Toronto. From Toronto the pipe line skirts the highly developed north shore of Lake Ontario to the presently planned terminus on Montreal Island. Under Tab. D following this text you will find a map showing the general location of the pipe line and the populated areas within radius of service of the pipe line, as well as certain contemplated extensions to serve future, potential markets. Also shown on the map are existing and proposed connecting pipe lines of customer distribution companies and the existing connection at Niagara Falls with the system of Tennessee Gas Transmission Company. The map also shows the system of Alberta Gas Trunk Line, which system receives gas purchased by Trans-Canada in the Alberta fields and transports it to the Saskatchewan Gate.

For convenience in making a more detailed descrip-



tion, the system may be divided into three general geographic sections.

The Western Section extends from the Saskatchewan Gate to a point near Winnipeg and consists of approximately 585 miles of 34 inch diameter pipe.

The Central Section connects with the Western Section, at which point the pipe size reduces to 30 inches in diameter and extends some 1,245 miles to a point near Toronto. The Crown Corporation is constructing 675 miles of this section extending from the Manitoba - Ontario border to a point near Kapuskasing. Trans-Canada is constructing the other 570 miles. The 85 miles from near Winnipeg to the Manitoba - Ontario border has been completed by Trans-Canada and 310 miles from the Manitoba - Ontario border has been completed by the Crown Corporation.

The Eastern Section commences at this point near Toronto and has been constructed by Trans-Canada. At this point near Toronto the system branches into two lines, a 20 inch



line extending 310 miles eastward to the terminus on Montreal Island, with a 12 inch diameter line some 36 miles in length extending from a point near Morrisburg northward to Ottawa. The other branch commences as a 24 inch pipe line and extends 33 miles in a south-westward direction from Toronto to connect at Sheridan with the 76 mile, 20 inch line, that serves the Niagara Peninsula of Ontario.

#### CONSTRUCTION PROGRESS

Under Tab. E following this text you will find a document entitled, "Construction Progress Report, January 1, 1958". This report sets out the progress made to the end of 1957 in the construction of the system and, in addition, sets out in general terms the plans for 1958 construction by Trans-Canada and the Crown Corporation. I will read the general summary set out on the initial page of that report.

Since the date of the report, testing has been completed to Port Arthur and Fort William and natural gas service commenced. Approximately sixty per cent of the initial pipe line construction, including that portion being constructed by the Crown Corporation, is



now complete.

### COMPRESSION AND CAPACITIES

The capacity of the pipe line which Trans-Canada is installing is very flexible, depending upon the amount of compression installed. At the time of the Economic Feasibility Report of Commonwealth Services Inc. for the initial financing, the compression therein dealt with gave a pipe line system of an initial intake capacity of 300 million cubic feet per day, increasing to 560 million cubic feet per day by the commencement of the fifth full year of operation, November 1, 1962. By the addition of compression only, the capacity of the system could be increased to an intake capacity of 962 million cubic feet per day.

As noted, this expansion is with compression only. No doubt a portion of this expansion and further expansion will be accomplished by a combination of partial looping and compression and ultimately, complete looping and compression. The decision of whether or not to use compression or looping, or a combination of both, is primarily a matter of economics to be examined at the time of each expansion of the system.

Under the present plans, the Company is installing more



horse power this year in the initial system than was originally contemplated in the Economic Feasibility Report. This will involve the installation of six compressor stations during the 1958 construction season. Three of these stations will be located on the Western Section and will each contain 10,000 horse power. The fourth station containing 7,500 horse power, will be located at the beginning of the Central Section near Winnipeg. The fifth station, containing 5,000 horse power, will be located on the Central Section near Port Arthur and will be constructed by the Crown Corporation. The sixth station, containing 5,400 horse power, will be installed by Trans-Canada on the Central Section near North Bay, Ontario.

The Company plans to increase the system capacity initially as market developments require or justify by installing intermediate compressor stations or by adding horse power to the existing stations. This method of expansion will readily meet the growing Canadian requirements and the Emerson sales load for several years.



CAPITAL INVESTMENT IN FACILITIES

The total capital investment in the system described to be completed by November of this year is, of course, not yet known. However, experience to date shows that the estimate of cost of constructing the pipe line, as contained in the Economic Feasibility Report, will be adequate. We still estimate, therefore, that the pipe line, when completed this year, will cost (exclusive of allowance for working capital):

<u>Trans-Canada</u>	<u>Crown Corporation</u>	<u>Total System</u>
\$213,916,000	\$115,060,000	\$328,976,000

The cost of installing the 48,500 horse power of compression this year is estimated to be

<u>Trans-Canada</u>	<u>Crown Corporation</u>	<u>Total System</u>
\$17,531,000	\$2,015,000	\$19,546,000

Total estimated costs of pipe line and compression as of November 1, 1958 is

<u>Trans-Canada</u>	<u>Crown Corporation</u>	<u>Total System</u>
\$231,447,000	\$117,075,000	\$348,522,000

In the Economic Feasibility Report it was estimated that the Trans-Canada system designed for an intake capacity of 560 million cubic feet per day would cost, including the Crown



Corporation Section, \$394,763,000. Assuming the additional Canadian markets and Emerson export market become available to justify it, the cost of the 962 million cubic foot system (using additional compression only, with no loop lines) would cost an estimated \$521,160,000, which includes a \$3,934,000 allowance for the lateral to serve Emerson. This cost estimate might be materially reduced by using a combination of compression and partial line looping rather than all compression. The most economical method will be used

#### OPERATING AND OTHER ECONOMIC ASPECTS OF NATURAL GAS TRANSMISSION

We requested Mr. W.B. Tippy, President of Commonwealth Services Inc. to prepare a discussion dealing with the subject of operating and other economic aspects of Trans-Canada's facilities and the transmission of natural gas in general. To present such material, and other material which we will highlight later, Mr. Tippy has prepared a report entitled, "A Discussion of Factors Relating to Transmission and Marketing of Natural Gas, February, 1958" which you will find in the pocket of this submission binder. In that report, commencing on page 18, is a section entitled "Economics of Long Distance Transmission of Natural Gas", followed on page 25 by a section entitled "Effect of Competition at



the Market Level, Distribution Economics and Transmission Economics on the Price of Gas at the Wellhead". I will now ask Mr. Tippy to read that material commencing at page 18 of his report.

PRESENT AND POTENTIAL CANADIAN AND EXPORT MARKETS

To deal with the subject of present and potential markets, we requested Commonwealth Services Inc. to prepare a market study for presentation to the Commission. This study is contained in the bound volume entitled "Present and Potential Canadian and Export Natural Gas Markets of Trans-Canada Pipe Lines Limited, February 1958". I now ask Mr. Orme, who prepared this study, to read the text portion of his report dealing with the Canadian Market.

I am sure that you will agree that this study, particularly the long term market projection, clearly reflects the magnitude of Trans-Canada's future Canadian market.

As to present and future export markets available to Trans-Canada, the report covers the whole market, present and future, in the midwestern states of Minnesota, Wisconsin and Illinois



and in the east, New York State, (exclusive of New York City) and New England. In addition, projections have been included for the states of Montana and North Dakota for your information although Trans-Canada does not contemplate any service in that area except to the extent that the proposed Midwestern project would serve some communities near the eastern boundary of North Dakota

So far as present markets are concerned, Trans-Canada is contemplating entering only those U.S. markets covered by its existing contracts with Midwestern Gas Transmission Company and Tennessee Gas Transmission Company; namely, the 200 million cubic feet per day sale at Emerson, Manitoba, and the interruptible sale at Niagara to Tennessee Gas Transmission Company. Beyond these present contractual arrangements, Trans-Canada has no active plan for future U.S. markets.

In connection with Trans-Canada's proposed export at these two points, it is important to observe that each has its advantage to the Trans-Canada system. The Emerson sale would enable Trans-Canada to make the maximum use of the capacity it has



or can readily attain in the Western Section of its pipe line. As discussed by Mr. Tippy earlier, this has many resulting advantages. Among these is the fact that the Emerson sale will materially improve Trans-Canada's revenues in the early years, thereby enabling the Company to fulfill its obligation to purchase the Crown Section at a date earlier than would otherwise be possible. This obligation is not the only reason why an early purchase is important. The result of the rental provision in the Crown Section lease is, that as the Crown Section's throughput rises above 300 million cubic feet per day, the monthly rental increases to the point where it may impair Trans-Canada's ability to adequately and economically meet the steadily increasing requirements of its Eastern Canadian market.

*What about buying?*

The proposed export at Niagara is advantageous because of its wholly interruptible feature. Under that agreement the purchaser has agreed to purchase any quantity up to 200 million cubic feet per day which Trans-Canada may have available after meeting all of its Canadian markets, but Trans-Canada is not obligated to deliver any quantity at any time. This type of sale obviously assists Trans-Canada in operating at as high a load fac-



tor as is possible. For example, a system load factor of approximately 87-1/2 per cent (Market study, 1963-64) could be increased to above 95 per cent by the use of this interruptible sale.

We should point out that this proposed sale at Niagara is conditioned upon the commencement of the Emerson sale.

### COMPETITIVE AND OTHER FACTORS

With respect to the subjects of product pricing, market penetration economics, and competitive factors, we asked Commonwealth Services Inc. to discuss these matters insofar as they pertain to the marketing of natural gas. In the same discussion from which Mr. Tippy has read, he has covered these subjects under the headings "Competitive Factors in the Gas Industry" and "Economics of Distributing Natural Gas", commencing at pages 1 and 9 respectively. He has also, at our request, pointed out some of the inherent differences between the transportation of gas and oil on page 29. We commend these discussions to your attention and do not propose to summarize or read them.

### GENERAL

In presenting to you some of the facts and fundamental principles pertaining to natural gas transmission and marketing we have, we believe, given to you a complete picture of Trans-Canada's project.



The initial Trans-Canada system is well on its way to completion, is presently serving a portion of the Canadian market and will, this coming fall, be in full operation.

We are greatly encouraged by the fact that the Canadian market is developing far more rapidly than was generally recognized a year ago. It is common knowledge that in the earlier days of the Trans-Canada project it was generally believed that a market in addition to the potential Canadian market was vital to the successful launching and subsequent operation of the project. The system was accordingly designed to serve not only Canada but a portion of the market in the midwestern United States. Permits were granted by the Alberta Conservation Board and by the Transport Board upon that basis. The pipe laid in the Western Section was sized for that purpose.

While we do not contend that the survival of the Trans-Canada project is dependent on either the export at Emerson or the interruptible sale at Niagara, we do contend that those sales will contribute very materially to the operating success of the system. The early connection of these loads will assure a high capacity factor



and a high load factor, benefitting both producer and consumer. It will also assure the early financial maturity required to purchase the Crown Section, thereby discharging that obligation prior to the rental arrangement becoming uneconomic.

Clearly, the primary function of Trans-Canada is service to Canadian markets. We sincerely believe that our plans, as we have outlined them to you, will accomplish that service in the most efficient manner, and provide optimum benefits to consumer and producer alike.

All of which is respectfully submitted.







TRANS-CANADA PIPE LINES LIMITED

WITNESSES

The following witnesses will be made available for cross-examination and the general sphere of the testimony of each will be as indicated:

WILLIAM B. TIPPY - Factors Relating to Transmission and Marketing of Natural Gas and the Economic Feasibility of the Trans-Canada System.

H. DIX FOWLER - Location, Capacities, Construction and General Engineering Features of the Trans-Canada System.

PAUL F. CLARKE - Formulation and Accomplishment of Initial Financing.

R.C. BERRY - Other Phases of Trans-Canada's Financing and Present Financial Position.

RALPH S. ORME - Present and Potential Natural Gas Markets of Trans-Canada in Canada and the United States; Gas Sales Contracts.

V.L. HORTE - Gas Purchase Contracts.

GLADSTONE STEWART, JR. - Reserves and Deliverability of Natural Gas in Certain Fields Available to Trans-Canada.

*Beaul Nohitt f Nesbitt Thorne r Co*

The qualifications of each of the above witnesses are set out in the pages following.



William B. Tippy:

Mr. Tippy is President of Commonwealth Services Inc. a firm engaged in general consultation and engineering work.

Mr. Tippy attended Williams College, graduating with an A.B. degree in 1930, and the University of Michigan, graduating with a B.S. degree in Engineering in 1932.

He started employment in the utility business in 1932 with the Detroit Edison Company and has worked in the utility business, either directly or as a consultant, ever since. He was one of the original organizers and directors of Commonwealth Services Inc., having worked for that firm since its organization about 1950. He was elected President in June of 1955.

Commonwealth Services Inc. has done general consultation and engineering work of all types for the gas transmission and distribution industries and for the electrical utility industry. In particular, the firm has conducted the economic feasibility studies and reports for several new gas pipe line transmission companies and gas distribution companies, including Trans-Canada Pipe Lines Limited.

Mr. Tippy has been active in the American Gas Association and its affairs, and has written a number of articles pertaining to the gas industry including the following:

"Rates for Long Distance Pipelines", Published in GAS,  
February 1952

"Manufactured Oil Gas May be the First to Establish a  
Natural Gas Price Ceiling", Published in Trade Magazines  
1954

"What Will Happen to the Price of Gas", Published in GAS,  
January 1955

"America's Sixth Largest Industry - Gas", Published in  
The Analysts Journal - June 1955

"Tomorrow's Energy Requirements" - Electrical Engineer-  
ing, September 1956



H. Dix Fowler:

Mr. Fowler is a Vice-President of Trans-Canada Pipe Lines Limited and is in charge of all phases of engineering, construction and operation of the Company's pipe line system.

Mr. Fowler attended Stanford University, graduating in 1934 with a degree of Bachelor of Arts and following two years post-graduate work at the same University, was granted the degree of Engineer. Following University, he was engaged in general contracting field in California.

From 1941 until 1954 he was employed in various phases of engineering and construction work on both gas and oil pipelines.

He joined Trans-Canada Pipe Lines Limited in October, 1954, as Engineer Specialist, and was appointed Assistant Chief Engineer in May, 1956, Vice-President, October, 1957.

He is registered as a professional engineer in the State of Texas and in the Province of Ontario.



Paul F. Clarke:

Mr. Clarke is a general partner of Lehman Brothers, Investment Bankers, 1 William Street, New York City. He graduated from Dartmouth College, Hanover, New Hampshire with a Bachelor of Arts degree in 1930.

He was employed by Chase National Bank, now The Chase-Manhattan Bank, from 1930 to May, 1954. The last 19 years of his service with the Chase Bank were spent in its Public Utilities Department analysing utility companies and particularly natural gas transmission companies with a view to extending bank credit to such companies. He resigned from the position of Second Vice-President with the Chase Bank to accept a position with Lehman Brothers with duties including the analysis of financial structures of utility companies, the study and preparation of financial statements and advising management of utility companies on financial and security matters.

He has been familiar with the Trans-Canada Pipe Lines project since October, 1954. Together with Mr. Francis Kernan, a partner of White, Weld & Company, Investment Bankers, New York City, he effected the placement in the United States of the First Mortgage Pipe Line Bonds of Trans-Canada and the underwriting in the United States of the other securities issued by Trans-Canada in February, 1957. Throughout the above related association with Trans-Canada's financing in the United States, he worked in close cooperation with Messrs. Nesbitt, Thomson and Company, Wood Gundy and Company and other underwriters in Canada of Trans-Canada's securities. Throughout the entire period he took a major part in the formulation and final accomplishment of the initial financing of Trans-Canada.

He was admitted as a general partner of Lehman Brothers, January, 1958.



R. C. Berry:

Mr. Berry is a Vice-President and the Treasurer of Trans-Canada Pipe Lines Limited and is its chief financial officer responsible for finance and accounting throughout the organization.

Prior to joining Trans-Canada Pipe Lines Limited in October of 1956, Mr. Berry was a senior partner in the firm of Deloitte, Plender, Haskins and Sells, Chartered Accountants. Mr. Berry has been a Chartered Accountant since 1941 and from 1941 to October, 1956 was engaged in public accounting and auditing work with the exception of time out for war service.



Ralph S. Orme:

He is presently employed as a Natural Gas Consultant by Commonwealth Services Inc. with offices in New York, N.Y., Jackson, Michigan, Washington, D.C., and Houston, Texas. He attended Wesley College and Texas A & M College, majoring in Civil Engineering.

From 1925 to 1936 he was employed by various natural gas companies in the southern United States making market surveys, designing and superintending construction of natural gas distribution systems, lateral lines and branch transmission lines. Market surveys included requirements, market analyses, load studies, costs, operating revenues and expenses, and their trends, budgeting and rate-making studies.

From 1936 to 1938 he was Senior Valuation Engineer for the Cost Utilities Division of the Railroad Commission of Texas.

From 1938 to 1947 he was employed by the Federal Power Commission of the United States at Washington, D.C. as a Rate Investigator and Gas Engineer, making studies of the operations of various companies under the Natural Gas Act with particular reference to markets and existing and proposed rate schedules.

From 1947 to 1950 he was in private practice in Washington, D.C. as a Natural Gas Consultant.

From 1950 to the present he has been employed by Commonwealth Services Inc. as a Natural Gas Consultant. Duties during this period under Mr. Orme's supervision have included natural gas pipe line and distribution system rate studies, economic feasibility studies for financing and other purposes of natural gas systems and storage projects, natural gas market requirement studies, studies as to feasibility of conversion of manufactured gas distribution systems to natural gas service.

Commencing in August, 1956, he made and supervised studies of the various market areas located along the pipe line route or proposed routes of Trans-Canada Pipe Lines Limited for the purpose of determining potential annual and peak-day requirements for natural gas from Trans-Canada.



Vernon L. Horte:

Mr. Horte is Chief Gas Supply Engineer for Trans-Canada Pipe Lines Limited. He is in charge of all gas supply engineering for the Company and, in addition, administers gas purchase contracts, both existing and proposed, of the Company.

Mr. Horte is a petroleum and geological engineer. He graduated from the University of Alberta in 1949 with a Bachelor of Science degree. In 1950 Mr. Horte joined the staff of the Oil and Gas Conservation Board of Alberta in the Gas Engineering Department. In 1952 Mr. Horte went with the firm of DeGolyer and MacNaughton as a petroleum engineer and geologist. In April, 1957, Mr. Horte joined Trans-Canada Pipe Lines Limited in his present capacity.



Gladstone Stewart Jr.

Mr. Stewart is a Vice-President of the firm of DeGolyer and MacNaughton which firm has its offices in Dallas, Texas and is primarily engaged in the estimation of oil and gas reserves, appraisal of the availability of oil and gas reserves and the conduct of exploratory geological activities. This firm is a consultant to the United States Government in regard to certain naval petroleum reserves and has acted as consultant to other governments and to many of the companies engaged in all segments of the oil and gas industry, as well as to banks and insurance companies financing the oil and gas industry or related utilities.

The firm has been engaged by Trans-Canada Pipe Lines Limited since 1950 to prepare estimates of gas reserves and their deliverability in Alberta and Saskatchewan. In this connection representatives of the firm, including Mr. Stewart, have testified on numerous occasions before the Oil and Gas Conservation Board of Alberta and the Federal Power Commission of the United States, and on one occasion before the Board of Transport Commissioners of Canada. The firm also prepared the estimates necessary for the financing of the Trans-Canada project.

Mr. Stewart graduated from the Louisiana State University in 1934 with a Bachelor of Science degree. He is a petroleum engineer and geologist and prior to joining DeGolyer and MacNaughton in 1952, he was employed by the Shell Oil Company as such. He is presently in charge of his firm's work for Trans-Canada Pipe Lines Limited.







# TRANS-CANADA PIPE LINES LIMITED

\$54,166,700

5.85% Subordinated Debentures due 1987, Canadian Series,

\$20,833,300

5.60% Subordinated Debentures due 1987, United States Series,

3,750,000 Common Shares

(Par value \$1 per share)

The Debentures and the Common Shares will be offered in Canadian Units and in United States Units; each Canadian Unit will consist of a \$100 principal amount Canadian Series Debenture and five Common Shares; each United States Unit will consist of a \$100 principal amount United States Series Debenture and five Common Shares. Three Common Shares will be transferable separately on and after June 4, 1957, or on and after the date on which the Company first issues First Mortgage Pipe Line Bonds, whichever date is later, and the remaining two Common Shares will be transferable separately at the option of the Company at any time on and after November 1, 1958 and in any event prior to January 1, 1960.

The Canadian Units are being offered for sale in Canada by the Canadian underwriters, Nesbitt, Thomson and Company, Limited, Wood, Gundy & Company Limited, McLeod, Young, Weir & Company Limited and Osler, Hammond & Nanton Limited. United States Units are being offered for sale in the United States by a group of United States underwriters which includes the underwriters referred to below.

A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act of Canada.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Price: \$156.00 per United States Unit, payable in New York Funds, plus accrued interest.

	Price to Public(1)	Underwriting Discounts and Commissions(2)	Proceeds to Company(1)
Per Canadian Unit (stated in Canadian funds) .....	\$150.00	\$6.00	\$144.00
Per United States Unit (stated in United States funds) .....	156.00	6.00	150.00
Total Proceeds (stated in Canadian funds) (3) .....	\$112,500,000	\$4,451,923	\$108,048,077

- (1) Plus, in the case of the Debentures, accrued interest from January 1, 1957 to date of delivery.
- (2) The Company has agreed to indemnify the underwriters in certain respects with regard to the Registration Statement and to pay the fees and disbursements of counsel for the Underwriters. The Managing Underwriters are to receive \$720,000 for their services in connection with the sale of \$104,000,000 principal amount of First Mortgage Pipe Line Bonds and the \$20,000,000 Bank Loan.
- (3) United States funds have been converted to Canadian funds based on a premium of 4% for Canadian funds.

United States Units are offered by the United States underwriters, including the underwriters named below, subject to prior sale when, as and if accepted by the underwriters named herein and to certain other conditions including approval of legal matters by counsel for the Company and counsel for the underwriters. It is expected that the United States Units, in fully registered form, will be ready for delivery at the office of Lehman Brothers, One William Street, New York, New York against payment in New York funds on or about February 27, 1957.

The United States Underwriters include

Lehman Brothers

Stone & Webster Securities Corporation

White, Weld & Co.

The date of this Prospectus is February 13, 1957.

*This Prospectus does not constitute an offer by the Company or by any Underwriter to sell securities in any province or state to any person to whom it is unlawful for the Company or such Underwriter, respectively, to make such offer in such province or state.*

*No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than those contained in this Prospectus, in connection with any offer contained in this Prospectus and if given or made, such information or representation must not be relied upon as having been authorized by the Company or by any of the Underwriters.*

*Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof.*

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## THE CANADIAN STATUTORY INFORMATION COMMENCES ON PAGE 51.

Trans-Canada Pipe Lines Limited (herein called the "Company") has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement (herein together with all amendments thereto called the "Registration Statement") under the Securities Act of 1933, as amended, relating to the securities offered hereby. For further information reference is made to the Registration Statement and to the exhibits thereto. The statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and whenever a copy of such contract or other document is filed as an exhibit to the Registration Statement, each such statement is deemed to be qualified and amplified in all respects by the contract or other document so filed.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE UNITS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Company is a corporation organized under the laws of Canada, and some of its directors and officers and certain of the experts named herein are citizens and residents of Canada. As a result, it may be difficult for investors to effect service on the Company or such directors, officers and experts, within the United States or to realize in the United States upon judgments of courts of the United States, predicated upon civil liabilities under the Securities Act of 1933, as amended. The Company is advised by its Canadian counsel that there is substantial doubt as to the enforceability in Canada of liabilities predicated solely upon the Securities Act of 1933, as amended.

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Unless otherwise indicated, all dollar amounts in this Prospectus are stated in Canadian dollars.

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## THE COMPANY

The Company, which was created by Special Act of Parliament of Canada in 1951, proposes to own or lease and to operate a natural gas pipe line system extending from the Province of Alberta across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec to Montreal. The system, when completed, will follow an all Canadian route over a distance of approximately 2,294 miles.

## THE PROPOSED PIPE LINE SYSTEM

The pipe line system which the Company proposes to own or lease and to operate will have an initial delivery capacity of approximately 300,000 Mcf of natural gas per day and has been designed so that its delivery capacity can be increased in the future to approximately 780,000 Mcf per day. The pipe line system presently proposed to be operated by the Company, which it is anticipated will be completed by November 1, 1958, is as follows:

1. **Western Section.** The western section will consist of approximately 586 miles of 34-inch pipe extending from the Alberta-Saskatchewan border to a point near Winnipeg, Manitoba. This section is presently under construction and as of December 31, 1956 approximately 230 miles of pipe had been laid. This section is expected to be completed in the summer of 1957.

2. **Central Section.** The central section will consist of approximately 1,251 miles of 30-inch pipe extending from the end of the western section to a point near Toronto, Ontario. The portion of the system from the end of the western section to the Manitoba-Ontario border, a distance of approximately 85 miles, is to be constructed by the Company. The portion from the Manitoba-Ontario border to Kapuskasing, Ontario, a distance of approximately 675 miles, is to be financed and constructed by Northern Ontario Pipe Line Crown Corporation (herein called the "Crown Corporation") and is to be leased to the Company by the Crown Corporation. The terms of the contract pursuant to which such line is to be leased to the Company are described herein under the heading "Northern Ontario Section". The remaining portion of the central section, approximately 491 miles, is to be constructed by the Company and will extend from Kapuskasing, Ontario to a point near Toronto. It is presently expected that the entire central section will be constructed during 1957 and 1958.

3. **Eastern Section.** The eastern section of the pipe line commencing at the end of the central section will consist of two main extensions. One extending to a point near Montreal, Quebec, will consist of approximately 308 miles of 20-inch pipe and the other extending to the present terminus of the 20-inch pipe line owned by Western Pipe Lines and referred to below, will consist of approximately 33 miles of 24-inch pipe. In addition, the Company proposes to construct a 40-mile lateral pipe line from Morrisburg on the Montreal extension to Ottawa. It is presently expected that these two main extensions will be constructed by the Company in 1957 and that the lateral line to Ottawa will be constructed in 1958.

Western Pipe Lines, a wholly owned subsidiary of the Company, owns a 76-mile pipe line which is presently leased to Niagara Gas Transmission Limited for a term expiring October 31, 1959. This pipe line (herein called the "Niagara Section") is being used for the transportation to Toronto of natural gas delivered by Tennessee Gas Transmission Company (herein called "Tennessee") at a point on the International Boundary near Niagara Falls. Under such lease, Niagara Gas Transmission Limited (a subsidiary of The Consumers' Gas Company of Toronto) is granted an option to purchase the Niagara Section if Alberta gas has not been made available to the customers of Niagara Gas Transmission Limited in sufficient quantities to meet their requirements prior to September 1, 1959.

The Company may use the eastern section, starting in the fall of 1957, for the delivery to Montreal of gas purchased from Tennessee near Niagara Falls pursuant to the contract referred to under the sub-heading "Agreement with Tennessee" under the heading "Gas Supply". Upon the completion of the central section, gas from Western Canada will supplant the gas previously purchased from Tennessee. In the event that the necessary United States and Canadian governmental authority for the purchase and delivery of such gas from Tennessee is not obtained, the Company may postpone the proposed construction of the eastern section until 1958, when it is expected that gas from Western Canada will be available for this section.

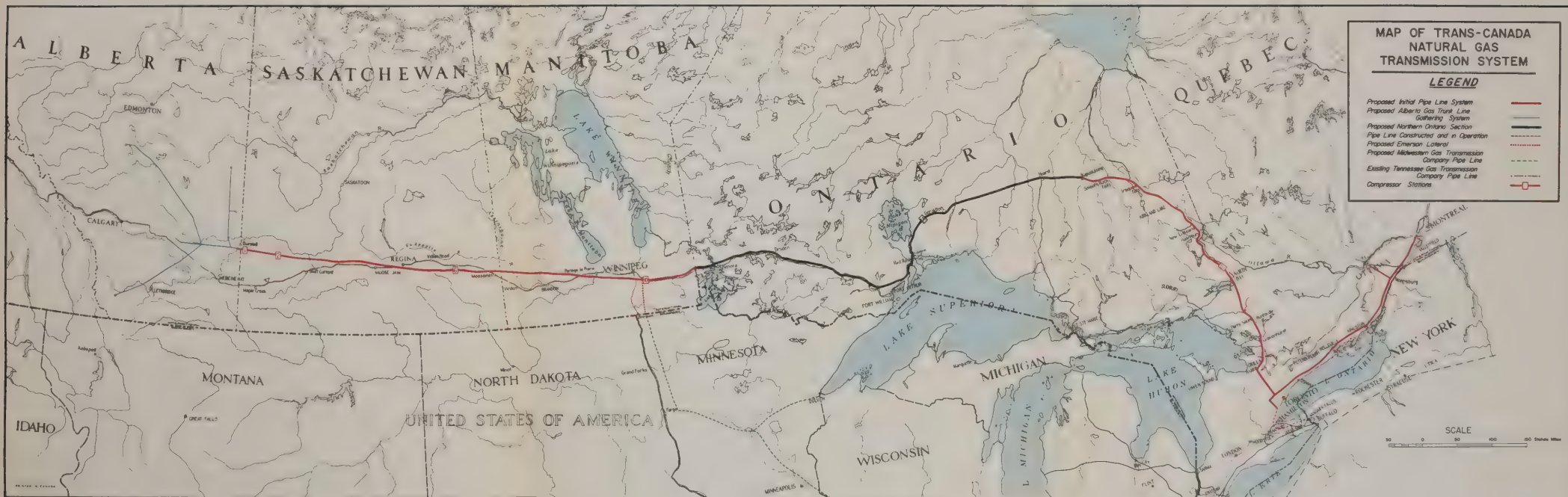
A map of the proposed pipe line system is included herein. The map indicates the portion of the central section to be financed and constructed by the Crown Corporation, herein referred to as the "Northern Ontario Section", and also shows the gathering system to be constructed by The Alberta Gas Trunk Line Company, Limited (herein called "Alberta Trunk Line") as stated herein under the sub-heading "The Alberta Gas Gathering System" under the heading "Gas Supply". The facilities which the Company presently proposes to construct are referred to herein as the "Initial Pipe Line System" and include the western section, the central section (excluding the Northern Ontario Section) and the eastern section (excluding the Niagara Section).

It is estimated that the cost of the Initial Pipe Line System will be approximately \$228,100,000 (exclusive of preliminary expenditures made prior to June 7, 1956 and any allowance for contingencies) based on present material, freight and labor costs and estimated Canadian custom duties and sales taxes. The principal items of cost of the Initial Pipe Line System are estimated as follows:

Gas Transmission Pipe Lines .....	\$191,047,000
Compressor Stations .....	12,112,000
Other Facilities .....	6,291,000
Interest payable during construction period .....	13,000,000
Working Capital (including gas purchased to fill the pipe line initially) .....	5,650,000
<b>Total .....</b>	<b><u>\$228,100,000</u></b>

The Company's proposed financing program, together with certain of the proceeds received by the Company from the prior sale of common shares, will provide the funds necessary for the estimated cost of construction of the Initial Pipe Line System and will provide an allowance of approximately \$3,400,000 for contingencies. In the event that this amount is not sufficient to meet any contingencies which may arise as the construction of the Initial Pipe Line System proceeds, the Company will have available an additional \$13,000,000 principal amount of First Mortgage Pipe Line Bonds which may under the terms of the Deed of Trust and Mortgage be issued without meeting any earnings restrictions upon issuance. In this connection reference is made to the information set forth herein under the headings "Financing Program and Proposed Capitalization" and "Certain Provisions of the Mortgage".

The Company has received almost all of the pipe necessary for the completion of the western section and has entered into contracts for the balance. It is expected that all of the pipe for this section will be delivered in the near future. The Company has also entered into contracts for the purchase of the remaining portion of its pipe requirements for the Initial Pipe Line System; the major suppliers will be Welland Tubes Limited, Toronto, Ontario, South Durham Iron and Steel,





Limited, Middlesborough, England, A. O. Smith Corporation, Milwaukee, Wisconsin and Republic Steel Corporation, Cleveland, Ohio. Contracts have not been entered into for the purchase of the other equipment needed for the completion of the Initial Pipe Line System. The Company does not anticipate that any undue difficulty or delay will be encountered in obtaining the pipe and equipment necessary for the completion of the Initial Pipe Line System as scheduled.

The aerial surveying and mapping of the central and eastern sections have been substantially completed. The completion of the Initial Pipe Line System will involve, among other things, the acquisition of the necessary rights-of-way, the obtaining of permits to cross over or under rivers, across public lands, under roads and highways from various provincial authorities, the acquisition of the necessary sites for compressor stations, the purchase of pipe, compressors and other equipment, the clearance of the right-of-way, the laying of the pipe line and the construction of the compressor stations.

The Company has entered into gas purchase contracts with gas producers in Alberta; the natural gas purchased by the Company under these contracts will be transported from the gas fields in Alberta to the western terminus of the Company's pipe line by Alberta Trunk Line. The Province of Alberta has granted the Company a permit extending until 1981 to export natural gas from Alberta; the Company's permit to export gas authorizes the Company to export a maximum of 4,350,000,000 Mcf over the entire period of such permit; the permit limits the export of gas by the Company to a daily maximum of 620,000 Mcf and an annual maximum of 183,000,000 Mcf. In this connection, reference is made to the information set forth herein under the headings "Gas Supply" and "Regulation".

The Company has entered into contracts for the sale of gas along the route of its pipe line. Information with respect to the Company's gas sales contracts and rates are set forth herein under the heading "Gas Sales".

Following the completion of the Initial Pipe Line System, the amounts of gas contracted to be purchased by the customer companies will, as set forth herein under the heading "Gas Sales", gradually increase as the customer companies build up their load. In order to meet such increasing delivery requirements, the Company expects to increase the capacity of its Initial Pipe Line System for deliveries to Canadian markets from its initial delivery capacity of approximately 300,000 Mcf per day to approximately 570,000 Mcf per day by the installation of additional compressor capacity during the first four years of the operation of the pipe line system, as follows:

Year of Full Operation of Pipe Line System	Estimated Cost of Increased Compressor Capacity	Approximate Daily Delivery Capacity in Mcf at End of Year
1 .....	\$ 3,100,000	380,000
2 .....	13,600,000	457,000
3 .....	6,700,000	515,000
4 .....	9,000,000	570,000

The Company expects to finance the installation of such compressor capacity in part from its general funds, including cash resulting from depreciation, and in part by the issuance of additional securities in amounts and at times not now determinable.

The Company estimates that until the capacity of the Initial Pipe Line System has been increased by the installation of a substantial portion of such additional compressor capacity, and until such capacity is fully utilized, the Company will not operate at a profit. In this connection the Company has arranged to sell 5½% Subordinated Convertible Income Notes, pursuant to the Agreements referred to herein under the heading "Note Purchase Agreement with Shareholders", so that the Company will to the extent provided in such agreement have funds available to pay the interest on its First Mortgage Pipe Line Bonds and Subordinated Debentures.

If the applications of Midwestern, referred to herein under the heading "Agreements with Midwestern", are approved by the United States Federal Power Commission, the Company in accordance with its agreement with Midwestern would also expand the capacity of its pipe line

system in order to make gas available for delivery to United States markets. The Company expects to finance its expansion program in connection with Midwestern by the issuance and sale of additional securities in amounts and at times not now determinable.

## FINANCING PROGRAM AND PROPOSED CAPITALIZATION

The Company proposes to complete the financing of the Initial Pipe Line System as follows:

(1) By the sale of (a) \$54,166,700 principal amount of 5.85% Subordinated Debentures due 1987, Canadian Series (herein called the "Canadian Debentures"), (b) \$20,833,300 principal amount of 5.60% Subordinated Debentures due 1987, United States Series (herein called the "United States Debentures"), and (c) 3,750,000 Common Shares (herein called the "Common Shares"). The Canadian Debentures and the United States Debentures are herein referred to collectively as the "Debentures". The Debentures and the Common Shares will be offered in Canadian Units and in United States Units (herein collectively called the "Units"); each Canadian Unit will consist of a \$100 principal amount Canadian Debenture and five Common Shares; each United States Unit will consist of a \$100 principal amount United States Debenture and five Common Shares. Reference is made to the information set forth on the cover page of this Prospectus and under the headings "Offering of Units", "Description of Subordinated Debentures" and "Description of Common Shares".

(2) By borrowing a total of \$20,000,000 (U.S.) from The First National City Bank of New York, New York, Mellon National Bank and Trust Company, Pittsburgh, and J. P. Morgan & Co. Incorporated, New York, which loans (herein called the "Bank Loan") are to be evidenced by notes maturing March 1, 1962 bearing interest at the rate of  $5\frac{1}{4}\%$  per annum and are to be secured by the pledge of a principal amount of First Mortgage Pipe Line Bonds,  $5\frac{1}{4}\%$  Series due 1978 of the Company equal to the amount of the loans. Reference is made to the information set forth herein under the heading "Bank Credit Agreement".

(3) By the sale to certain investors of \$80,990,000 (U. S.) principal amount of First Mortgage Pipe Line Bonds,  $5\frac{1}{4}\%$  Series due 1978, and \$23,010,000 principal amount of First Mortgage Pipe Line Bonds,  $5\frac{1}{2}\%$  Series due 1978 (herein collectively called the "Bonds"), pursuant to the terms of Bond Purchase Agreements which are to be entered into with such investors. Reference is made to the information set forth herein under the headings "Bond Purchase Agreements" and "Certain Provisions of the Mortgage", including a summary of certain conditions to which the issue and sale of the Bonds herein are to be subject.

The capitalization of the Company as of December 31, 1956 and as adjusted to give effect to the proposed financing described above is as follows:

<u>Title of Class</u>	<u>Authorized or to be Authorized</u>	<u>Outstanding as of December 31, 1956</u>	<u>Outstanding Upon Completion of Financing</u>
First Mortgage Pipe Line Bonds..	(1)		
$5\frac{1}{2}\%$ Series due 1978.....	—	None	\$23,010,000
$5\frac{1}{4}\%$ Series due 1978.....	—	None	\$80,990,000(U.S.)(2)
5% First Mortgage Bonds due April 2, 1957 .....	\$80,000,000(3)	\$43,750,000	None
$5\frac{1}{4}\%$ Bank Loan due March 1, 1962 .....	\$20,000,000 (U. S.)	None	\$20,000,000(U.S.)
Subordinated Debentures due 1987			
5.85% Canadian Series .....	\$54,166,700	None	\$54,166,700
5.60% United States Series .....	\$20,833,300(U.S.)	None	\$20,833,300(U.S.)
$5\frac{1}{2}\%$ Subordinated Convertible In- come Notes due 1987(4) .....	\$21,000,000	None	None(4)
Preferred shares, \$50 par value ..	1,000,000 shs.	None	None
Common shares, \$1 par value .....	10,000,000 shs.	1,928,184 shs.(5)	5,823,184 shs.(6)

### NOTES:

- (1) Additional bonds in one or more series may be issued under the Deed of Trust and Mortgage securing the bonds subject to the restrictions contained therein.

- (2) In addition, \$20,000,000 principal amount of First Mortgage Pipe Line Bonds, 5¼% Series due 1978, will be pledged to secure the 5¼% Bank Loan due March 1, 1962.
- (3) On June 7, 1956 the Company entered into an Indenture of Mortgage with the Crown Corporation in order to secure funds for the construction of the western section of its Initial Pipe Line System. The Company has the right to issue and sell its 5% First Mortgage Bonds to the Crown Corporation at par in an amount not in excess of 90% of the cost of the construction of the western section or \$80,000,000, whichever is smaller. As of the date of this Prospectus, \$49,750,000 principal amount of 5% First Mortgage Bonds are outstanding. All such 5% First Mortgage Bonds, together with any additional 5% First Mortgage Bonds issued and sold prior to the issuance and sale of Units, will be paid in full out of the proceeds of the financing at the time of the issuance and sale of the Units.
- (4) As stated under the heading "Note Purchase Agreement with Shareholders", the Company will enter into a note purchase agreement with certain of its shareholders providing for the purchase by such shareholders from the Company of its 5½% Subordinated Convertible Income Notes due 1987 from time to time during the period from November 1, 1958 to July 1, 1964. These Notes are to be subordinated to the Debentures upon the terms therein set forth.
- (5) The outstanding common shares of the Company have been issued from time to time prior to February 19, 1956 (except for one share issued in July, 1956 and the common shares issued to Mr. Tanner and Mr. Coates as set forth in Note 6). In each case the price of the common shares so issued was \$8 per share paid either in cash or by cancellation of cash advances or in consideration of cash costs incurred for the account of the Company or Western Pipe Lines (the shares of which were acquired by the Company in 1954), except that 2,002 shares were issued for a cash consideration of \$1 per share.
- (6) On May 28, 1956 Francis Kernan subscribed for the purchase of 40,000 common shares of the Company at a price of \$8 per share. Such subscription provided that the common shares covered thereby would be issued against payment contemporaneously with the initial financing of the Company's pipe line system. Subsequently one-half of such subscription was assigned to White, Weld & Co. by Mr. Kernan. In February 1957, N. E. Tanner and C. S. Coates exercised options previously granted to them and purchased 55,000 and 50,000 common shares, respectively, at a price of \$8 per share. In addition, 30,000 common shares are reserved for issuance upon exercise of options referred to under the heading "Management and Control" and 1,400,000 common shares are reserved for issuance upon conversion of the 5½% Subordinated Convertible Income Notes due 1987. In addition, 42,500 common shares of the Company have been set aside for the purpose of granting options from time to time to key officials and employees of the Company at a price of \$10 per share or at such higher price as may be fixed from time to time by the Board of Directors of the Company.

Western Pipe Lines, a wholly owned subsidiary of the Company, had outstanding as of December 31, 1956, \$5,350,000 principal amount of 4¾% Sinking Fund Debentures due 1959. As set forth herein under the heading "Application of Proceeds", these Debentures will be paid in full from the proceeds of the financing.

Immediately upon the completion of the Company's proposed financing program, the total interest requirements on the Bonds, the Bank Loan and the Debentures (as set forth above under this heading), on an annual basis, will be approximately \$10,644,196 converting United States funds into Canadian funds on the basis of a premium of 4% for Canadian funds.

#### APPLICATION OF PROCEEDS

The following tabulation sets forth the aggregate proceeds to be received by the Company from its proposed financing program, after deducting underwriting commissions in connection with the sale of the Units but before the deduction of expenses:

	United States Dollars	Canadian Dollars
Canadian Series Bonds .....	—	\$ 23,010,000
United States Series Bonds .....	\$ 80,990,000	—
Bank Loan .....	\$ 20,000,000	—
Canadian Units .....	—	\$ 78,000,048
United States Units .....	\$ 31,249,950	—
Total .....	<u>\$132,239,950</u>	<u>\$101,010,048</u>

The expenses of the financing program are estimated at approximately \$2,470,000 of which approximately \$560,000 is applicable to the Units and approximately \$1,910,000 to the Bonds and

Bank Loan, including the fee of \$720,000 to be paid to the Managing Underwriters as set forth on the cover of the Prospectus.

Of the total net proceeds received by the Company from the sale of the Units, (i) \$6,337,503.90 and \$2,333,329.60 (U.S.) will be deposited in trust with the Trustee for the holders of the Canadian Series Debentures and the United States Series Debentures, respectively, for the payment of interest on such Debentures for the period from January 1, 1957 to December 31, 1958, (ii) approximately \$49,750,000, plus interest, will be used to redeem, without premium, the 5% First Mortgage Bonds issued by the Company to the Crown Corporation in connection with the construction of a portion of the western section of the Initial Pipe Line System, (iii) approximately \$5,350,000, plus interest, will be advanced to Western Pipe Lines, a wholly owned subsidiary of the Company, and used by that company to redeem its outstanding debentures in the amount of \$5,350,000 and (iv) the remainder will be added to the Company's general funds and used, together with the proceeds from the Bank Loan and the sale of the Bonds, for the construction of the Initial Pipe Line System, for working capital and for other corporate requirements.

The issuance and delivery of the Units to the several underwriters is conditioned, among other things, upon the execution and delivery, at or prior thereto, of the Bond Purchase Agreements, the Bank Credit Agreement and the Note Purchase Agreement. In this connection reference is made to the information set forth herein under the heading "Underwriting".

The purchasers of the Bonds under the Bond Purchase Agreements will be obligated to purchase Bonds from time to time during 1957 and 1958 and the Company will be entitled to use the proceeds from the sale of such Bonds to complete the construction of the Initial Pipe Line System in each case only if the Company complies with various conditions contained in the Bond Purchase Agreements and the Mortgage. The Bank Credit Agreement provides that the banks will be obligated to make loans to the Company from time to time during 1957 and 1958 only if the Company complies with various conditions contained in the Bank Credit Agreement, which conditions are substantially similar to those contained in the Bond Purchase Agreements. In this connection, reference is made to the information under the headings "Bond Purchase Agreements", "Certain Provisions of the Mortgage" and "Bank Credit Agreement". Some of these conditions depend upon action to be taken by persons other than the Company, including governmental agencies, and their performance is therefore not within the control of the Company. The Company is unable to forecast what the effect would be upon its ability to complete the Initial Pipe Line System, or to operate any completed portion thereof, if the Bank Loan is not made or the Bonds are not purchased because the conditions in the Bank Credit Agreement or the Bond Purchase Agreements and Mortgage are not met.

The total net proceeds received by the Company from the sale of the Units, from the Bank Loan and from the sale of the Bonds (assuming the conditions relating to the Bonds and Bank Loan described herein under the headings "Bond Purchase Agreements", "Bank Credit Agreement" and "Underwriting" are met) will be adequate, in the opinion of the Company, subject to contingencies, to meet the estimated cost of the completion of the Initial Pipe Line System.

### NORTHERN ONTARIO SECTION

By an agreement between Her Majesty the Queen in right of Canada (herein called the "Government of Canada") and the Company, dated November 21, 1955, as amended, the Government of Canada agreed to recommend to the Parliament of Canada that a Crown corporation be established and that it be provided with funds to enable it to construct the Northern Ontario Section. The Parliament of Canada on June 7, 1956 passed a Special Act establishing the Crown Corporation and authorizing the Minister of Finance to lend up to \$130,000,000 to the Crown Corporation. The Province of Ontario has enacted legislation enabling financial participation by that Province in the Crown Corporation.

The Crown Corporation has by an assumption agreement, dated January 30, 1957, agreed to assume all of the obligations of the Government of Canada under the agreement dated November 21, 1955, as amended. The Crown Corporation has also agreed to lease the Northern Ontario Section to the Company for a period of 25 years from the date of the completion of such section. Such assumption agreement also provides for the execution of an interim lease prior to the

completion of the Northern Ontario Section. The 25-year lease which the Company and the Crown Corporation have agreed to execute is to provide that the Company will bear all operating and maintenance expenses of the Northern Ontario Section and pay rent to the Crown Corporation for the use of the Northern Ontario Section, as follows:

(a) During the term of the lease, the monthly rental is to be equal to the number of Mcf of natural gas actually transmitted through the Northern Ontario Section in the preceding month multiplied by the transportation cost per Mcf; the transportation cost is to be the amount per Mcf which if the Northern Ontario Section were operated at two-thirds of its initially designed capacity, would yield an amount in that year equal to  $4\frac{1}{2}\%$  of the capital cost to the Crown Corporation of the Northern Ontario Section when constructed to its initially designed capacity; and

(b) Commencing in the fourth full calendar year of the term of the lease, an additional annual rental equal to the amount by which the revenues of the Company in such calendar year exceed its operating expenses (including the cost of operating and maintaining the Northern Ontario Section), the interest on the Bonds, Debentures and other outstanding debts and obligations, and depreciation at  $3\frac{1}{2}\%$  of the cost of the Company's depreciable assets; such additional annual rental is in no event to exceed 1% of the capital cost of the Northern Ontario Section and is payable only to the extent necessary to bring the accumulated total of all payments of rent to the Crown Corporation to an amount equal to 7% per annum of the total capital cost of the Northern Ontario Section to the Crown Corporation, together with interest accumulated at  $3\frac{1}{2}\%$  per annum compounded annually on the net deficiencies below 7% per annum of any preceding year.

The agreement dated November 21, 1955 provides that the Company shall purchase the Northern Ontario Section as soon as the Company can arrange the necessary financing. Such purchase may be made by the Company at any time during the term of the lease, by giving three months written notice prior to the proposed date of sale, at a price equal to the total capital cost of the Northern Ontario Section as of the date of sale, minus all rental payments made to the Crown Corporation which are in excess of the amount necessary to give the Crown Corporation an annual return of  $3\frac{1}{2}\%$ , from the date of completion of such section, on the amount of its invested capital and outstanding capital obligations in respect of the Northern Ontario Section and provided that the purchase price shall not in any event be less than the amortized capital cost of such section (amortized at  $3\frac{1}{2}\%$  per annum plus interest at the rate of  $3\frac{1}{2}\%$  compounded annually) or 70% of the cost of the Northern Ontario Section, whichever is higher.

It is presently estimated that the cost of constructing the Northern Ontario Section to its initial designed capacity will be approximately \$120,000,000 based on present material, freight, labor costs and Canadian customs duties and sales taxes. The Company, acting on behalf of the Crown Corporation, has entered purchase orders for a portion of the pipe for the Northern Ontario Section and is presently acquiring the rights of way for the pipe line in the Northern Ontario Section.

The agreement between the Government of Canada and the Company further provides for the construction by the Company of the Initial Pipe Line System and cooperation between the Company and the Government of Canada for the construction of an all-Canadian pipe line. The obligations of the Government of Canada and the Crown Corporation under the agreement were subject to the condition that evidence satisfactory to the Government of Canada was presented by the Company before February 1, 1957 that it had arranged for the financing of the Initial Pipe Line System. In the assumption agreement the Government of Canada agreed that the Company had presented satisfactory evidence that it had arranged for the financing of the cost of construction of the Initial Pipe Line System.

The expansion of the capacity of the Initial Pipe Line System will require the expansion of the Northern Ontario Section. The agreement between the Company and the Crown Corporation requires the Crown Corporation to construct the necessary compression facilities but the Crown Corporation is not obligated to construct any additional pipe lines or sales laterals.

The Company expects that by the end of the fifth year of operation it will acquire the Northern Ontario Section from the Crown Corporation pursuant to the right of purchase contained in the agreement between the Company and the Government of Canada. While the Company has no commitments for the purchase of the securities required to finance the purchase of the Northern Ontario Section, the Company expects to obtain funds for such purpose principally from the sale of additional First Mortgage Pipe Line Bonds and other securities. With respect to the right of the Company to issue First Mortgage Pipe Line Bonds in connection with the acquisition of the Northern Ontario Section, reference is made to the information set forth herein under the heading "Certain Provisions of the Mortgage".

## GAS SALES

(Volumes at 14.73 pounds p.s.i.a.)

### The Market for Natural Gas

The Company intends to sell natural gas to distributors for resale along the route of its pipe line system, as indicated on the map included herein. The Company's service area will include the major centers and areas of population in Saskatchewan, Manitoba, Ontario and Quebec. The approximate population of the more important cities or metropolitan areas to be served by the Company according to the 1956 Canadian government census (preliminary tabulation) are listed below:

	<u>Population</u>
Regina .....	88,000
Brandon .....	24,000
Winnipeg .....	409,000
Fort William—Port Arthur .....	83,000
Toronto .....	1,347,000
Hamilton .....	325,000
Montreal .....	1,595,000
Ottawa .....	335,000

In addition, the Company's service area will include the highly industrialized Southwest Ontario area and the important nickel mining region and pulp and paper mills located in Ontario along the Central Section of the Company's proposed pipe line system.

At the present time the fuel requirements of the Company's prospective service area are being met by coal, fuel oil, electricity and manufactured gas and in the Southwest Ontario and Toronto areas by natural gas imported from suppliers in the United States or to some extent produced locally. Upon completion of the Company's pipe line system, natural gas supplied by the Company will for the most part take the place of natural gas theretofore received from United States sources. The Company believes that its proposed rate schedules will result in resale rates which will be competitive with the other fuels except, in some areas, with electricity used for domestic cooking or water-heating purposes.

### Gas Sales Contracts

The Company has entered into eight 20-year contracts for the sale of gas to natural gas distributing companies in Canada. As the various sections of the Initial Pipe Line System are completed the Company expects to start to deliver gas to its customers as they are connected to the system. The following tabulation sets forth the daily contracted delivery in Mcf in the periods indicated provided for in the six major gas sales contracts of the Company, on the assumption that the Company will be able to commence deliveries of gas in the Winnipeg area on or prior to September 1, 1957, in the Fort William-Port Arthur area on or prior to November 1, 1957, in the remaining service area of Northern Ontario Natural Gas Company Limited on or prior to September 1, 1958 and in the service areas of Union Gas Company of Canada, Limited, The

Consumers' Gas Company of Toronto and Quebec Natural Gas Corporation on or prior to November 1, 1958:

Name of Customer and Area to be Served	From Nov. 1, 1958 to Oct. 31, 1959	Nov. 1, 1959 to Oct. 31, 1960	Nov. 1, 1960 to Oct. 31, 1961	Nov. 1, 1961 to Oct. 31, 1962	Nov. 1, 1962 to Oct. 31, 1963	Thereafter
Quebec Natural Gas Corporation(1) Montreal P.Q. and surrounding communities	30,000	46,000	72,000	88,000	102,000	112,000
The Consumers' Gas Company of Toronto Toronto, Ontario and surrounding communities	82,500	100,000	115,000	140,000	165,000	165,000
Northern Ontario Natural Gas Company, Limited Twenty municipalities and town- ships in the Northern Zone.	28,000	42,500	59,000	64,400	69,200	69,200
Northern Ontario Natural Gas Company, Limited Six cities in the Western Zone.	25,000	27,000	29,000	31,000	33,000	33,000
Winnipeg & Central Gas Company(2) Winnipeg, Manitoba and sur- rounding communities	30,300	36,600	38,800	46,400	46,400	46,400
Union Gas Company of Canada, Limited Eighty seven cities, towns, vil- lages and municipalities in southwest Ontario.	—	45,200(3)	56,150(3)	67,120(3)	76,700(3)	— (3)
Total Contracted Demand under General Service Schedules	195,800	297,300	369,950	436,920	492,300	—

(1) If deliveries to Quebec Natural Gas Corporation commence on or before November 1, 1957, whether pursuant to the agreement with Tennessee referred to under the sub-heading "Agreement with Tennessee" under the heading "Gas Supply", or otherwise, then the quantities shown will become Contracted Demands a year in advance of the years shown.

(2) Quantities shown are for the 12-month periods from September 1 to August 31 in the years indicated.

(3) Quantities shown are average daily volumes computed from the Annual Contracted Volumes specified in Sales Contract. The Annual Contracted Volumes continue to increase each year after the fifth year to a maximum average daily volume exceeding 175,000 MCF in the twelfth year and thereafter.

The Company anticipates that prior to the time when the Initial Pipe Line System is placed in operation it will have entered into contracts for the sale of additional quantities of natural gas along the route of the pipe line. The Company estimates on the basis of its negotiations with gas distributors that additional quantities aggregating approximately 50,000 Mcf per day during the first year of operation and 100,000 Mcf per day by the fifth year of operation will be covered by such contracts.

The Company's major gas sales contracts permit the purchaser to reduce its contracted demand up to 5% (or 10% in certain cases) in any year, but not more than 20% overall; and certain of such contracts permit the purchaser to take delivery in the following year of gas paid for but not taken in the preceding year. Most of such contracts provide for reduction or renegotiation of the contracted demand during the first five contract years in the event of delays in initiating deliveries of gas, and, in certain cases provide for reductions of the contracted demand in the event of loss of specified loads to the purchaser. Certain of such contracts permit the purchaser under certain circumstances to increase its contracted demand during one or more of the first five contract years up to the maximum contracted demand provided for in the respective contracts.

Deliveries under the contract with Union Gas Company of Canada, Limited are to commence one year after gas from Western Canada becomes available at the specified delivery point near

Sheridan, Ontario. Deliveries under the other gas sales contracts are to commence as soon as gas is available at the specified delivery points, subject to the requirement that the Company give advance notice as to the date deliveries will be started. Under the terms of such other major gas sales contracts, such contracts are subject to renegotiation or termination if deliveries do not commence prior to specified dates which vary from November 1, 1957 in the case of the Winnipeg & Central Gas Company contract to November 1, 1959 in the case of the Consumers' Gas Company of Toronto contract.

The types of gas sales contracts offered by the Company, including contracts already entered into, covering deliveries in Canada may be classified generally as follows:

(a) Contracted Demand General Service Contracts. Under these contracts the Company is obligated to be ready to deliver specified daily quantities of natural gas (contracted demand) and the purchaser is obligated to take, or pay for whether taken or not, annual volumes of gas which will result in certain specified minimum annual load factors. Some of the contracts of this type will require the purchaser to take gas thereunder at a minimum annual load factor of 90%, others of 75% and some of 50%. The rates for the gas sold under this type of contract consist of a monthly demand charge and a commodity charge which varies with the minimum annual load factor selected by the purchaser.

(b) Contract with Union Gas Company of Canada, Limited. This contract provides that Union is required to pay for 75% of the specified quantities of natural gas as an annual minimum. Such specified quantities are to be delivered by the Company approximately one-third in the five months from November 1 to March 31 and approximately two-thirds in the seven months from April 1 to October 31. Service by the Company to Union may, under the terms of this contract, be interrupted or curtailed at any time. The rate for the gas to be sold to Union under this contract is 39¢ per Mcf.

(c) Industrial Firm Service Contracts. Any purchaser under a contracted demand general service contract is entitled, during the period to November 1, 1968, to contract to purchase gas for resale to industrial users on a firm basis. In general, the demand charge for all such gas is less than the demand charge under the applicable contracted demand general service rate while the commodity charge remains the same as set forth in the applicable contracted demand general service rate schedule.

(d) Small General Service Contracts. Contracts of this type cover daily demands of customers distributing gas only in one or more small communities in each of which requirements are projected to consist primarily of domestic and commercial space heating loads and which are not being or to be served under another contract between the Company and the purchaser and provide that the Company will supply the requirements of the purchasers up to specified daily quantities.

(e) Interruptible Service Contracts. Any purchaser under a contracted demand or small general service contract may contract to purchase up to specified quantities of natural gas on an interruptible basis; such deliveries are subject to curtailment or interruption by the Company as it may deem necessary.

The Company anticipates that it will offer other types of service, customary to pipe line operations, as the need and opportunity arises.

Some of the distributing companies with which the Company has gas sales contracts must finance the construction or conversion of distribution facilities before such companies will be able to take delivery of gas from the Company. Other distributing companies must expand their facilities from time to time in order to be able to take delivery of the increasing contracted quantities of gas from the Company. In this connection reference is made to the information with respect to Quebec Natural Gas Corporation set forth herein under the heading "Bond Purchase Agreement". While the Company anticipates that each of its customers will be in

a position to purchase natural gas in accordance with their contractual obligations, the Company makes no representation to that effect.

As indicated herein under the heading "Agreements with Midwestern" the Company, subject to necessary governmental authorizations, also proposes to sell gas for distribution in the United States at a point on the International Boundary near Emerson, Manitoba to Midwestern Gas Transmission Company (hereinafter called "Midwestern") and has the right to make such sales to Tennessee at a point on the International Boundary near Niagara Falls.

## Rates

The Company has established six rate zones as follows: the Saskatchewan Zone which includes all of the Province of Saskatchewan; the Manitoba Zone which includes all of the Province of Manitoba; the Western Zone which extends from the Manitoba-Ontario border to Geraldton, Ontario; the Northern Zone which extends from Geraldton, Ontario to North Bay, Ontario; the Central Zone which extends from North Bay, Ontario to Bowmanville, Ontario; and the Eastern Zone which extends from Bowmanville, Ontario to Montreal, Quebec. Reference is made to the above description of the Company's contract with Union Gas Company of Canada, Limited for the rate payable under such contract.

The Company's rates for gas, classified by types of service, are as follows:

Type of Service	Monthly Demand Charge Dollars/Mcf	Commodity or Volume Charge Cents/Mcf	Average at 100% Load Factor Cents/Mcf	Average at Load Factor stated below Cents/Mcf
Contracted Demand General Service Rate (90% load factor):				
Saskatchewan Zone .....	1.00	17.5	20.8	21.2
Manitoba Zone .....	1.90	18.0	24.2	24.9
Western Zone .....	2.90	23.0	32.5	33.6
Northern Zone .....	4.10	27.5	41.0	42.5
Central Zone .....	4.40	28.0	42.5	44.1
Eastern Zone .....	5.05	28.0	44.6	46.4
Contracted Demand General Service Rate (75% load factor):				
Saskatchewan Zone .....	1.00	18.0	21.3	22.4
Manitoba Zone .....	1.90	20.0	26.2	28.3
Western Zone .....	2.90	25.0	34.5	37.7
Northern Zone .....	4.10	29.5	43.0	47.5
Central Zone .....	4.40	30.0	44.5	49.3
Eastern Zone .....	5.05	30.0	46.6	52.1
Contracted Demand General Service Rate (50% load factor):				
Saskatchewan Zone .....	1.00	19.5	22.8	26.1
Manitoba Zone .....	1.90	22.5	28.7	35.0
Western Zone .....	2.90	27.5	37.0	46.6
Northern Zone .....	4.10	32.0	45.5	59.0
Central Zone .....	4.40	32.5	47.0	61.4
Eastern Zone .....	5.05	32.5	49.1	65.7
Small General Service Rate:				
Saskatchewan Zone .....	—	27.5	—	—
Manitoba Zone .....	—	38.0	—	—
Western Zone .....	—	51.0	—	—
Northern Zone .....	—	63.0	—	—
Central Zone .....	—	65.0	—	—
Eastern Zone .....	—	67.5	—	—

Type of Service	Monthly Demand Charge Dollars/Mcf	Commodity or Volume Charge Cents/Mcf	Average at 100% Load Factor Cents/Mcf	Average at Load Factor stated below Cents/Mcf
General Service Development Rate:				
Saskatchewan Zone .....	—	24.2	—	—
Manitoba Zone .....	—	31.5	—	—
Western Zone .....	—	41.0	—	—
Northern Zone .....	—	51.3	—	—
Central Zone .....	—	53.2	—	—
Eastern Zone .....	—	56.2	—	—

Interruptible Service Rate:

Saskatchewan Zone .....	—	18.0	—	—
Manitoba Zone .....	—	20.0	—	—
Western Zone .....	—	25.0	—	—
Northern Zone .....	—	29.5	—	—
Central Zone .....	—	30.0	—	—
Eastern Zone .....	—	30.0	—	—

The Company's contract with Quebec Natural Gas Corporation provides, on the assumption that the Company will supply Quebec with gas purchased from Tennessee under the contract referred to under the sub-heading "Agreement with Tennessee" under the heading "Gas Supply", for a base rate consisting of a demand charge of \$5.60 plus a commodity charge of 31.8¢. When western Canadian gas is available for delivery to Quebec Natural Gas Corporation the base rate provided for in its contract changes to the applicable rate set forth in the above tabulation.

In order to aid the distributors, not now selling natural gas, to develop sales of natural gas in their territories, the Company has established the general service development rates set forth above. This rate schedule is available to distributors for a period of thirty-six months following the initial delivery of gas under a contracted demand or small general service contract. The general service development rates are not available to Northern Ontario Natural Gas Company Limited, Union Gas Company of Canada, Limited, The Consumers' Gas Company of Toronto or Quebec Natural Gas Corporation under the contracts referred to above. The gas sales contracts with Winnipeg & Central Gas Company, Northern Ontario Natural Gas Company Limited and The Consumers' Gas Company of Toronto however contain special rate provisions applicable during the first five contract years by reason of which the overall rates payable during such period under the Winnipeg, Northern Ontario and Consumers' contracts are lower than the contracted demand general service rates set forth above.

The Company has established an off-peak service rate pursuant to which it proposes to sell natural gas on a seasonal basis to distributors for resale to industrial customers. Contracts for off-peak service, which will be for short terms, are to be made on a firm basis for an agreed period during the off-peak season from April 1 to November 30. The rates in the various zones for such off-peak periods are set forth below:

	Six-month Period May 1 through October 31	Seven-month Period April 1 through October 31	Eight-month Period April 1 through November 30
Saskatchewan Zone .....	20¢	21¢	23¢
Manitoba Zone .....	23	24	26
Western Zone .....	28	29	31
Northern Zone .....	34	35	37
Central Zone .....	35	36	38
Eastern Zone .....	36	37	39

The Company's rate schedules in general provide for rate adjustments for variations in the BTU content of gas below the 1,000 BTU level but the purchaser is not required to take gas having a BTU content of less than 950 BTU. Under such schedules the purchaser in general must reimburse the Company for Dominion or Provincial sales taxes payable by the Company on the gas sold to the purchaser and for one-half of additional taxes paid by the Company upon sales, production, severance, gathering transmission or export (other than income, profits, franchise and certain other taxes). The rates are also in general subject to increase by an amount equal to one-half of the amount of increases in the cost of gas to the Company resulting from the exercise of legislative or regulatory authority.

## GAS SUPPLY

(Volumes at 14.4 pounds p.s.i.a.)

### Gas Purchase Contracts

The Company proposes to purchase all of the natural gas requirements for its system. It has executed 47 contracts with natural gas producers in 14 fields in Alberta. The major fields in Alberta from which the Company will purchase gas will include Pincher Creek, Cessford, Provost, Homeglen-Rimbey and Nevis.

The minimum quantities of natural gas required to be purchased by the Company and the maximum quantities of natural gas required to be delivered to the Company by the respective sellers, under the gas purchase contracts of the Company, during the five years from November 1, 1958 to October 31, 1963 were determined upon a pro rata basis which takes into account the minimum quantities of gas required to be delivered by the Company under its gas sales contracts, the maximum quantities which customers can require the Company to deliver under such gas sales contracts, the gas reserves in the fields from which the respective sellers are to deliver gas, the deliverability of such gas and other related factors. After November 1, 1963, the maximum quantities of gas required to be delivered by the respective sellers to the Company are the respective maximum quantities required to be delivered by the respective sellers during the year ended October 31, 1963 and the minimum quantities required to be purchased by the Company vary from 59% to 85% of the respective maximum amounts required to be delivered by the sellers. Certain of the Company's gas purchase contracts provide for the delivery of sufficient quantities of natural gas during the period from November 1, 1957 to October 31, 1958 to enable the Company to fulfill its delivery obligations during such interim period.

The following tabulation sets forth the aggregate minimum and maximum daily quantities of natural gas which the Company is required to purchase and which the sellers are required to deliver under the gas purchase contracts of the Company:

	Stated in Mcf per day	
	Minimum	Maximum
From November 1, 1958 to October 31, 1959 .....	153,104	290,415
From November 1, 1959 to October 31, 1960 .....	229,608	376,000
From November 1, 1960 to October 31, 1961 .....	245,050	445,421
From November 1, 1961 to October 31, 1962 .....	268,557	501,766
From November 1, 1962 to October 31, 1963 .....	322,958	548,387
After November 1, 1963 .....	452,686	548,387

All of the Company's gas purchase contracts permit the Company to take delivery in the following year of any gas for which it paid but did not take in the preceding year, subject to limitations on maximum daily delivery.

All of the gas purchase contracts extend for a period of 25 years from the date of initial delivery or until the Company's authorization to export natural gas from Alberta expires, whichever is earlier. Such contracts provide for a basic price of 10¢ per Mcf of natural gas delivered to the Company at a central point in the field for the period from the date of the initial operation of the pipe line system to December 31, 1959. On January 1, 1960 and on each January 1 thereafter, the price of gas increases one-quarter of 1¢ per Mcf to a maximum of 15.75¢ per Mcf, unless otherwise increased pursuant to the redetermination provisions referred

to below. The contracts also provide for the delivery of gas having a heat content of 1,000 BTU and for price adjustment for variations in BTU content above and below the 1,000 BTU level except that the Company is not required to take gas having a BTU content of less than 950 BTU.

All of the gas purchase contracts provide for price re-determination on January 1, 1968 and at the end of each five year period thereafter and in addition from time to time, substantially as follows:

(a) At any time the Company earns an annual rate of return in excess of  $7\frac{1}{2}\%$  or in excess of any lesser rate per annum fixed by legislation or by any regulatory body having jurisdiction over the Company; or

(b) After January 1, 1968,

(i) Within 60 days from the date on which the total volume of gas which the Company is then authorized to export from Alberta is increased and the Company begins to transport such increased volume; or

(ii) Within three months of the time that the total volume of gas then being transported by the Company for its own account from western Canada through its pipe line system is increased.

In any re-determination of the price of the natural gas to be purchased under such contract, the price fixed shall be such that it will permit, upon the assumption (except to the extent that is clearly not the fact) that the price of all other natural gas purchased by the Company is correspondingly increased, the Company to earn annually a rate of return on its rate base (including a reasonable allowance for working capital), after payment of all operating expenses including all taxes and provisions for depreciation and depletion, which will be adequate to permit the Company to earn a reasonable rate of return and to finance the expansion of its pipe line system, in accordance with the general rate-making principles established by the Board of Public Utility Commissioners of the Province of Alberta in its decision, dated July 26, 1951, in the matter of an application by Northwestern Utilities Limited for variation of its rates. The contract also provides that the Company does not necessarily agree that  $7\frac{1}{2}\%$  is a fair and reasonable rate of return on its rate base based upon existing conditions in the money market. In the event of any price re-determination pursuant to these provisions, the re-determined price is to thereafter constitute the basic price for natural gas sold under such contract.

The gas purchase contracts also provide that

(1) If the average amount during any year paid to Alberta Trunk Line for the transportation of natural gas from the field to the western terminus of the Company's pipe line system is less than 4¢ per Mcf, the amount of such differential multiplied by the volume of gas sold to the Company by the seller in such year shall be paid to such seller;

(2) If the Company voluntarily reduces the price of natural gas to any of its customers, who take an annual volume of 15,000,000 Mcf or more, an amount equal to 50% of the total average reduction per Mcf (during the time that such reduction is effective) shall be added to the price of gas then in effect between the Company and the seller; *provided, however*, that this provision is not applicable if such reduction occurs prior to the first delivery of gas by the Company or if such reduction occurs as a result of the customer electing to take or converting to another rate schedule.

(3) If any new or increased production, severance or occupational tax is imposed upon the seller, the Company is required to pay one-half of any such tax or increase.

The Sellers have the right to terminate the gas purchase contracts in the event the Company is unable to take delivery of gas by certain specified dates, which vary from December 15, 1957 to December 15, 1960.

#### **The Alberta Gas Gathering System**

The Company has entered into an agreement with Alberta Trunk Line dated January 29, 1957, pursuant to which Alberta Trunk Line will transport the gas purchased by the Company in various gas fields in Alberta and deliver such gas to the western terminus of the Company's pipe line.

Alberta Trunk Line is a corporation organized by Special Act of the Legislative Assembly of the Province of Alberta. It has been granted a permit by the Minister of Highways of Alberta to construct a gathering system to various fields in Alberta and connecting with the Company's pipe line at its western terminus near the Alberta-Saskatchewan border. The fields covered by the permit granted to Alberta Trunk Line include all of the fields covered by the gas purchase contracts of the Company.

Alberta Trunk Line is not affiliated in any way with the Company except that the Company, together with other companies exporting gas from Alberta, has the right to name one director to the Board of Directors of Alberta Trunk Line. The act creating Alberta Trunk Line provides that the other directors shall be representatives of gas utility companies in Alberta, gas producers and processors in Alberta and the Province of Alberta.

The agreement between the Company and Alberta Trunk Line provides that Alberta Trunk Line will construct a natural gas pipe line system which is substantially in accordance with the map contained herein. Alberta Trunk Line has agreed to transport gas in such quantities as are required by the Company from the fields connected to the gathering system in accordance with the permit to export gas from Alberta granted to the Company by the Province of Alberta.

It is a condition of the permit obtained by the Company from the Petroleum and Natural Gas Conservation Board of Alberta, referred to under the heading "Regulation", that the gas removed by the Company from Alberta, pursuant to that permit, shall be delivered to the Company through the facilities of Alberta Trunk Line.

The pipe line system to be constructed by Alberta Trunk Line will be built over a four year period so that Alberta Trunk Line will be able to deliver to the Company the supplies of natural gas required by the Company from time to time as the construction of the Initial Pipe Line System progresses and thereafter as the demand for gas increases. For information with respect to certain requirements as to the financing of Alberta Trunk Line, reference is made to the heading "Bond Purchase Agreements".

The Company has agreed to pay to Alberta Trunk Line the cost of providing such transportation service. The agreement provides that the "cost of service" for any period is to be the sum of the following principal items: (i) Alberta Trunk Line's reasonable and necessary operating expenses for such period, (ii) depreciation of Alberta Trunk Line's gas plant at the rate of 4% per annum and other equipment at agreed rates for such period, (iii) income and other taxes for such period, and (iv) a return at an annual rate of 7.5% on the depreciated original cost of the assets of Alberta Trunk Line used in connection with the transportation of natural gas and on necessary working capital. The agreement provides, however, that during the first four years of the operation of the Alberta Trunk Line the rate to be paid by the Company to Alberta Trunk Line for the transportation of natural gas shall be 4¢ per Mcf or certain stipulated minimum payments which are based on the minimum volumes of gas to be transported by Alberta Trunk Line.

The agreement between Alberta Trunk Line and the Company is to continue in force until the expiration date of the Company's present export permit, May 14, 1981.

#### **Report of DeGolyer and MacNaughton**

DeGolyer and MacNaughton, independent geologists, conducted a study of the Company's gas supply and their report to the Company is as follows:

Trans-Canada Pipe Lines Limited  
160 Bloor Street East  
Toronto 5, Ontario, Canada

February 11, 1957

Gentlemen:

Pursuant to your request, we have made an investigation of the extent and deliverability of the natural gas reserves available to Trans-Canada Pipe Lines Limited, hereinafter referred to as "Trans-Canada".

We have been acquainted with the area from which Trans-Canada proposes to obtain its gas supply for many years and have made estimates in 1951, 1953, 1954, 1955, and 1956 of the gas reserves available to Trans-Canada's transmission line. We have prepared and presented estimates and testimony regarding Trans-Canada's gas supply to the Petroleum and Natural Gas Conservation Board of the Province of Alberta, Canada, and to the Federal Power Commission, Washington, D. C. In addition, we have prepared numerous estimates of oil and gas reserves and estimates of availability of reserves for many operating companies in Canada.

During the present investigation, we have consulted freely with the officers and employees of Trans-Canada and were given access to such records and geological and engineering data as were desired for examination. This report is based upon the results of this investigation and upon reconsideration of data obtained during previous investigations. It was not considered necessary to make a field examination of the physical condition and operation of the properties involved. Furthermore, the gas purchase contracts and other factual data furnished by Trans-Canada were accepted as represented.

All gas volumes in this report are expressed at a pressure of 14.4 pounds per square inch absolute and at a temperature of 60 degrees Fahrenheit.

The Petroleum and Natural Gas Conservation Board of the Province of Alberta, Canada, on May 14, 1954, granted to Trans-Canada the right to remove gas from the Province of Alberta, Canada. This permit as amended, provides that Trans-Canada may export 4.35 trillion cubic feet of gas from 19 fields in Alberta. This permit limits the export of gas by Trans-Canada to a daily maximum of 620 million cubic feet and an annual maximum of 183 billion cubic feet. The permit also limits the export of a total volume of 900 billion cubic feet from the Nevis and Homeglen-Rimbey fields. If deliveries of gas develop as estimated by Trans-Canada it will be necessary for Trans-Canada to secure an amendment of the permit. The fields covered by the permit are located in the southern part of Alberta. Trans-Canada has negotiated gas purchase contracts for reserves located in 14 of these 19 fields.

We estimate the total proved gas reserves, as of January 1, 1957, of the 14 fields from which Trans-Canada has contracted for its gas supply to be 5.1 trillion cubic feet. The proved reserves dedicated to Trans-Canada, under long-term gas purchase contracts in these 14 fields, are estimated to be 4.5 trillion cubic feet, of which 1.5 trillion cubic feet are proved developed reserves and 3.0 trillion are proved undeveloped reserves. Although for the purposes of this report only the proved reserves available to Trans-Canada have been estimated, considerable volumes of additional gas will undoubtedly become available as development progresses.

You have furnished us with estimates of the annual volumes and the average daily volumes of gas which may be required to supply Trans-Canada's Canadian gas markets, by years, for a period of 20 years as follows:

<u>Year Ending November 1</u>	<u>Annual Volumes in Billions of Cubic Feet</u>	<u>Average Daily Volumes in Millions of Cubic Feet</u>
1958 .....	20	56
1959 .....	106	290
1960 .....	137	376
1961 .....	162	444
1962 .....	183	500
1963 thru 1977 .....	200	547

Based on Trans-Canada's estimate of the Canadian market requirements, we estimate that the total proved reserves dedicated to Trans-Canada under long-term purchase contracts are the equivalent of 24.4 years supply. Further, we estimate that the deliveries from the proved reserves now dedicated under gas purchase contracts to Trans-Canada's system will meet the market volumes estimated by Trans-Canada in full for a period of 18 years. There will be a deficiency of deliverable gas from the presently contracted proved reserves of 80 million cubic feet per day in the nineteenth year, increasing to 146 million cubic feet per day in the twentieth year.

The uncommitted proved reserves, in the 14 fields from which Trans-Canada has contracted to purchase gas, are estimated to be 565 billion cubic feet. Trans-Canada is in prime position to obtain these reserves if they are needed to meet requirements.

The pipeline network of The Alberta Gas Trunk Line Company Limited, which is to gather the gas dedicated to Trans-Canada, traverses the most prolific gas producing area in Canada. The proved gas reserves in the area of Alberta Trunk Line's system, after deducting such reserves as may be committed for local use, are estimated to be 7.3 trillion cubic feet. Of these proved reserves, Trans-Canada has contracted for 4.5 trillion cubic feet, and the remainder may be available to Trans-Canada in competition with other purchasers after the provincial needs have been satisfied. In this area of Alberta, as well as the area in Saskatchewan which is traversed by Trans-Canada's transmission line, exploration and development of oil and gas reserves are proceeding at a rapid pace. Trans-Canada should be in a favorable position to compete with other purchasers for the presently uncommitted reserves in these areas and for reserves that will be discovered in the future.

In spite of restricted market outlets, Alberta gas reserves have grown at the rate of approximately two trillion cubic feet per year for the past several years. The proved reserves of Alberta, as of July 1, 1956, are estimated to be 15.6 trillion cubic feet.

Based upon this investigation, it is our opinion that the proved gas reserves now dedicated to Trans-Canada can meet Trans-Canada's Canadian requirements in full for a period of 18 years and that sufficient additional reserves will become available to meet the requirements for at least 20 years.

Submitted,

DEGOLYER AND MACNAUGHTON

#### Agreement with Tennessee

The Company has entered into a Precedent Agreement dated April 13, 1955 with Tennessee which provides, subject to certain conditions, for the execution of a three-year contract for the sale of up to 86,755 Mcf (computed at 15.025 p. s. i. a.) of natural gas per day by Tennessee to the Company at a point on the international boundary near Niagara Falls. Gas purchased under the purchase contract will be for sale by the Company in the area between Niagara Falls and Montreal (exclusive of territory served by The Consumers' Gas Company of Toronto). The Company may terminate the purchase contract when western Canadian gas becomes available in this area. The obligations of the Company and Tennessee to enter into the purchase contract is subject among other things to the receipt of necessary regulatory authorizations by both on or prior to November 1, 1957.

#### AGREEMENTS WITH MIDWESTERN

The Company has entered into a Precedent Agreement, dated August 11, 1955, with Tennessee which provides, subject to certain conditions, for the execution of a twenty-five year contract for the sale of 200,000 Mcf of natural gas per day by the Company to be delivered at a point on the International Boundary near Emerson, Manitoba. The right to purchase gas at Emerson under the Precedent Agreement has been assigned by Tennessee to Midwestern and Midwestern has assumed the gas purchase obligations of Tennessee at the Emerson delivery point.

The Company proposes to construct a 24-inch lateral pipe line from a point on its main line near Winnipeg a distance of 48 miles to a point on the International Boundary near Emerson, Manitoba, in order to deliver gas at such point to Midwestern for sale in the United States. The cost of this proposed lateral, approximately \$4,000,000, together with the cost of the additional required compression facilities in the western section, approximately \$30,000,000, has not been included in the estimate of the cost of the Initial Pipe Line System. The Company expects that such costs will be financed through the sale of additional securities in amounts and at times not now determinable.

Midwestern proposes to construct a pipe line system from the Emerson delivery point across the States of Minnesota, Wisconsin, Illinois, Indiana, Kentucky and Tennessee to connect with

the pipe line system of Tennessee near Portland, Tennessee. Midwestern has filed an application with the Federal Power Commission of the United States for authority to construct and operate such pipe line system. Hearings on this application are now in progress. Other pipe line companies have intervened in the proceedings in opposition to Midwestern's application.

The gas sales contract to be entered into between the Company and Midwestern will provide that Midwestern will purchase a minimum quantity equal to 75% of the daily contract quantity of 200,000 Mcf (computed at 15.025 pounds p.s.i.a.) during the first three years following the date of initial delivery and commencing in the fourth year will purchase a minimum annual quantity of gas equal to 95% of the annual contract quantity. The price fixed in such contract will consist of a commodity charge of 18.5¢ per Mcf of gas delivered plus a monthly demand charge, as follows:

	<u>Monthly Demand Charge</u>
During the first five-year period following the initial delivery of gas under the contract .....	\$2.00 per Mcf
During the second five-year period .....	\$2.30 " "
During the third five-year period .....	\$2.61 " "
During the fourth five-year period .....	\$2.91 " "
During the fifth five-year period .....	\$3.22 " "

The price, while stated in Canadian dollars, is payable to the Company in United States dollars on the basis of the then prevailing conversion rate. Such contract will also provide that Midwestern, at its option, may purchase an additional 200,000 Mcf of gas per day from the Company at the Emerson delivery point, when such gas is available for export.

The obligation of the Company and Midwestern to enter into the gas sales contract referred to in the Precedent Agreement is subject, among other things, to the approval by the Federal Power Commission of the application filed by Midwestern to import the gas to be purchased from the Company into the United States, the granting of a certificate of public convenience and necessity to Midwestern to construct the necessary facilities, the amendment of the Company's permit to export gas from Alberta and a license to export gas from Canada. All such governmental authorizations are to be obtained by November 1, 1957.

The Precedent Agreement also provides that when western Canadian gas is available to supply the market in eastern Canada the Company has the right, subject to necessary United States and Canadian governmental authorizations, to sell its excess gas to Tennessee at the International Boundary at Niagara Falls in amounts and at prices to be agreed upon.

## REGULATION

### Regulation by Government of Canada

The Parliament of Canada has, under the provisions of the British North America Act, as amended, exclusive jurisdiction over both interprovincial and international trade, which includes the transportation of natural gas between the provinces and the export or import of natural gas between Canada and the United States. Pursuant to this authority the Parliament of Canada enacted the Pipe Lines Act, which requires the approval of the Board of Transport Commissioners for Canada for the construction and operation of an extra-provincial or international natural gas pipe line. The Act also gives the Board of Transport Commissioners jurisdiction over the sale, conveyance, purchase, lease or mortgage of an extra-provincial or international pipe line, the merger, amalgamation or consolidation of an extra-provincial or international pipe line or the abandonment of any such pipe line. In addition, the Pipe Lines Act also gives a company constructing an extra-provincial or international pipe line the right to take real property for pipe line purposes without the consent of the owner. The Board is given authority to divert or re-locate pipe lines to facilitate the construction of a highway or railway or any other work affecting the public interest. The Board may make such orders and regulations as are necessary to provide for the protection of property and the safety of the public in connection with the operation of an extra-provincial or international pipe line. The Board is authorized, where such action is found to be

necessary or desirable in the public interest, to order a company operating an extra-provincial or international pipe line to extend or improve its transportation facilities and to connect with and sell gas to any person or municipality engaged or legally authorized to engage in the local distribution of gas to the public provided that such action does not impair the ability of such company to render adequate service to its existing customers. The Board is also given authority to prescribe regulations with respect to the manner in which the accounts of an extra-provincial pipe line company are kept and the rates of depreciation to be included in operating expenses and to establish a uniform system of accounts.

The Company has been authorized by order of the Board of Transport Commissioners to construct the Initial Pipe Line System and to lease the Northern Ontario Section. After the system has been constructed, an additional order of such Board will be necessary before the system can be placed in operation.

The Exportation of Power and Fluids and Importation of Gas Act requires a license from the Minister of Trade and Commerce of Canada prior to the exportation of natural gas from Canada or the importation of natural gas into Canada. The Company will require a license from the Minister of Trade and Commerce in order to export gas to Midwestern at Emerson, Manitoba and in order to import gas from Tennessee at the International Boundary near Niagara Falls. In this connection reference is made to the information herein under the heading "Agreements with Midwestern".

### **Provincial Regulation**

The Gas Resources Preservation Act of Alberta regulates the export of gas from the Province of Alberta. No gas may be exported from the Province of Alberta without a permit from the Petroleum and Natural Gas Conservation Board which also regulates the production of gas in such Province. The Act provides that the Board may, with the approval of the Lieutenant Governor of Alberta in Council, grant a permit for the export of gas if it finds such permit is in the public interest after taking into consideration present and future needs of the Province of Alberta and the present gas reserves and the trend of the growth of such gas reserves in such Province.

The Petroleum and Natural Gas Conservation Board has granted a permit to the Company, extending to 1981, which provides that the Company may export a maximum of 4,350,000,000 Mcf of gas from 19 fields in Alberta. This permit limits the export of gas by the Company to a daily maximum of 620,000 Mcf and an annual maximum of 183,000,000 Mcf. The permit also limits the export of a total volume of 900,000,000 Mcf of gas from the Nevis and Homeglen-Rimbey fields and certain other fields not covered by the Company's present gas purchase contracts. If the Company's sales of gas reach the maximum provided in the Company's gas sales contracts, it will be necessary for the Company to secure an amendment to such permit increasing the daily and annual maximum amounts of gas which the Company may export from Alberta. In this connection reference is made to the information set forth herein under the heading "Bond Purchase Agreements".

The Pipe Lines Act of Alberta, which regulates the construction and operation of provincial pipe lines in Alberta, prohibits the construction of such a pipe line without a permit from the Minister of Highways. The Minister of Highways has granted a permit to Alberta Trunk Line for the construction of the proposed gathering system from fields in Alberta to the western terminus of the Company's pipe line system. After the system has been constructed an order of the Board of Public Utility Commissioners of Alberta will be necessary before the system can be placed in operation.

### **Foreign Exchange**

Under the Foreign Exchange Control Act, the Government of Canada has power to exercise control over a wide range of financial and security transactions between Canadian residents and residents of other countries. At the present time no official rates of exchange are imposed and there is no control on the sale and purchase of foreign currency in Canada. The Company makes no representation that such controls may not be imposed in the future as they have been from time to time in the past.

## OFFERING OF UNITS

The Debentures and the Common Shares will be offered in Canadian Units and in United States Units; each Canadian Unit will consist of a \$100 principal amount Canadian Debenture and five Common Shares; each United States Unit will consist of a \$100 principal amount United States Debenture and five Common Shares.

The Debentures to be issued to purchasers of Units will contain a legend or endorsement stating that there have been deposited with and are held by Montreal Trust Company, as Depositary, pursuant to a Deposit Agreement (a copy of which is filed as an exhibit to the Registration Statement), the Common Shares constituting a part of such Units. The Deposit Agreement will provide that within three business days after June 3, 1957 (or the date on which the Company first issues First Mortgage Pipe Line Bonds, whichever is later) the Depositary will mail to each registered owner of a Debenture of record on such date three Common Shares for each \$100 principal amount of Debentures held by him and that within three business days after December 31, 1959 (or such earlier date, not earlier than November 1, 1958, as may be fixed by the Board of Directors of the Company) the Depositary will mail to each such registered owner of record on such date two Common Shares for each \$100 principal amount of Debentures held by him. Prior to December 31, 1959 or the earlier date so fixed (or as to any Debenture which shall be redeemed, its redemption date) the Units will be transferable only as a whole, including the Common Shares applicable thereto still held by the Depositary, and any transfer of a Debenture will constitute a transfer of the holder's beneficial interest in the related Common Shares.

Pursuant to the Deposit Agreement, the beneficial owners of the Common Shares, as their names appear on the Debenture register, will be entitled to receive from the Depositary proxies to vote such shares.

Dividends on the Common Shares and interest on the Canadian Series Debentures offered hereby payable to non-residents of Canada will under present Canadian tax laws be subject to a withholding tax of 15%. The amount so withheld may, however, under present United States tax laws be taken as a credit against United States income taxes.

## DESCRIPTION OF SUBORDINATED DEBENTURES

The Debentures are to be issued under an Indenture dated as of January 1, 1957 (herein called the "Indenture") between the Company and Montreal Trust Company (herein called the "Trustee"). A copy of the Indenture is filed as an exhibit to the Registration Statement. The following statements are brief summaries of certain provisions to be contained in the Indenture and the Debentures. They do not purport to be complete and reference is hereby made to the Indenture for full and complete statements of such provisions and for other information with respect to the Debentures.

The Debentures will be dated January 1, 1957 and will mature on January 1, 1987. Interest will be payable semi-annually on January 1 and July 1. (Indenture, §2.02).

The Debentures will be issued in two series. Interest on the Canadian Series Debentures will be payable at the rate of 5.85% per annum and interest on, and the principal of, the Canadian Series Debentures will be payable in Canadian Funds and interest on the United States Series Debentures will be payable at the rate of 5.60% per annum and interest on, and the principal of, United States Series Debentures will be payable in United States Funds. Both principal and interest will be payable in Canada at any branch of the chartered banks to be designated in the Debentures and in the United States at the offices of The Royal Bank of Canada Trust Company or The Canadian Bank of Commerce Trust Company in the Borough of Manhattan, The City of New York. (Indenture, §2.01).

The Debentures are to be issued initially in fully registered form in denominations of \$100 and in multiples thereof. After January 1, 1960, or such earlier date, but not earlier than November 1, 1958, as may be fixed by the Board of Directors of the Company, the Debentures will be initially exchangeable without charge for coupon Debentures in bearer form in denominations of \$500 and \$1,000. (Indenture, §2.03).

### **Subordination of Debentures**

The payment of the principal of and interest on the Debentures will be subordinated in all respects in the manner set forth in the Indenture to the prior payment in full first of all First Mortgage Pipe Line Bonds and second of all other Prior Indebtedness, and in the event of default on Prior Indebtedness, no payments (with certain exceptions) will be permitted to be made on the Debentures. Prior Indebtedness will be defined as the principal of and premium, if any, and interest on indebtedness of the Company now outstanding or hereafter incurred for money borrowed from or guaranteed to others, if the instrument creating or evidencing the indebtedness provides that such indebtedness is superior in right of payment to the Debentures. The Trustee will be authorized from time to time to deliver deeds expressly subordinating the Debentures to Prior Indebtedness. (Indenture, Articles 1 and 4). By reason of such subordination, in the event of insolvency, other creditors of the Company who are not holders of Prior Indebtedness, or of the Debentures, may recover less, rateably, than holders of Prior Indebtedness, and may recover more, rateably than the holders of the Debentures. Funds deposited with the Trustee for the payment of interest on the Debentures for the period from January 1, 1957 to December 31, 1958 will not be subject to the subordination provisions of the Indenture.

### **Redemption Provisions**

The Debentures of either series are to be redeemable at any time as a whole or from time to time in part at the option of the Company, on not less than thirty days' notice at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption. (Indenture, Article 5).

### **Sinking Fund Provisions**

The Indenture will contain provisions for the payment by the Company to the Trustee on or before December 31, 1969 and on or before each December 31 thereafter of an amount equal to the smaller of \$2,500,000 or 50% of the Sinking Fund Net Income of the Company for the preceding fiscal year. Such amount will be prorated between Canadian funds and United States funds in proportion to the principal amount of Canadian Series Debentures and United States Series Debentures outstanding as of a date within 60 days prior to the payment, Canadian dollars and United States dollars being considered equivalent for the purposes of the proration. (Indenture, §6.01). Canadian funds so paid to the Trustee are to be used to redeem Canadian Series Debentures on the next succeeding January 1, and United States funds so paid to the Trustee are to be used to redeem United States Series Debentures on the next succeeding January 1, in each case if in excess of \$50,000. (Indenture, §6.03). The Debentures are to be redeemable for the Sinking Fund at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Company will be permitted to credit, against its Sinking Fund obligation in either currency, Debentures payable in such currency and acquired by the Company for or redeemed or called for redemption otherwise than through the Sinking Fund (Indenture, §6.02). The term "Sinking Fund Net Income" is defined to mean the sum of the Net Income (as defined) of the Company for such fiscal year plus all amounts provided during such fiscal year for depreciation and amortization less (i) all amounts accrued during such fiscal year for sinking, purchase or analogous funds in respect of Prior Indebtedness, (ii) all amounts paid to the Mortgage Trustee during such fiscal year pursuant to the covenant referred to in the second paragraph under the heading "Certain Provisions of the Mortgage—Certain Covenants of the Company", and (iii) all amounts due or paid in respect of principal of and premium, if any, of Prior Indebtedness other than as a result of voluntary redemption or prepayment or of redemptions through sinking, purchase or analogous funds; provided, however, that if Sinking Fund Net Income shall show a deficit for any fiscal year, such deficit shall be carried forward to the succeeding fiscal year or years. (Indenture, Article 1).

### **Dividend Restrictions**

The Indenture will prohibit the Company from paying or declaring any dividend or making any other distribution upon any of its common shares or acquiring for a consideration any common shares (excluding from such restriction and from the following calculation dividends paid in common shares and common shares acquired in exchange or from the proceeds of substantially concurrent sale of other common shares or out of contributions to the capital of the Company), (a) if after giving effect to such payment or distribution or acquisition the cumulative aggregate amount of all dividends and distributions declared or paid on the common shares and the amount paid for the acquisition of common shares subsequent to December 31, 1956 exceeds the aggre-

gate amount of the Net Income (as defined) of the Company subsequent to December 31, 1956, or (b) if any instalment of interest which is due on the Debentures has not been paid or if any required Sinking Fund payment has not been made. (Indenture, §7.08).

#### **Other Restrictions**

The Indenture will prohibit the Company from prepaying, redeeming or acquiring its 5½% Subordinated Convertible Income Notes due 1987 (referred to under the heading "Note Purchase Agreement with Shareholders") prior to maturity, except in exchange for, or out of the proceeds of, preferred or common shares of the Company or indebtedness subordinated to the Debentures (Indenture, §7.11). The Indenture will not restrict the right of the Company to issue additional indebtedness of any rank or class.

#### **Modifications of the Indenture**

The Indenture and the rights of the Debenture holders may be modified by the Company and the Trustee with the consent of holders of a majority in aggregate principal amount of the Debentures at the time outstanding given either at a meeting of Debenture holders or in writing; but no extension of the maturity of the Debentures, or reduction in the rate of interest thereon or change in Sinking Fund requirements or modification in the terms of payment of principal or interest or reduction of the aforesaid percentage required for modification will be effective against any Debenture holder without his consent. (Indenture, §15.02).

#### **The Trustee**

The holders of a majority and principal amount of all outstanding Debentures will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee. (Indenture, §8.07). The Indenture will provide that in case a complete and uncured default shall occur, the Trustee will be required to use the degree of care of a prudent man in the conduct of his own affairs (Indenture, §11.02). Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Debenture holders, unless they shall have offered to the Trustee reasonable security or indemnity. (Indenture, §11.01). The Indenture will provide for the appointment by the Trustee of The First National City Bank of New York, 55 Wall Street, New York, N. Y., and its successors and assigns, as its agent for service in any action brought against the Trustee arising out of the provisions of the Indenture, the Debentures or coupons or under the Trust Indenture Act of 1939 in any court of competent jurisdiction in the United States. (Indenture, §17.07).

#### **Events of Default**

The following events will be defined in the Indenture as "events of default": failure to pay interest or sinking fund installments for thirty days; failure to pay principal; failure to perform any other covenants for sixty days after notice; failure to pay principal or interest on Prior Indebtedness beyond the applicable period of grace; and certain events of bankruptcy, insolvency or reorganization. (Indenture, §8.01).

The Indenture will require the Company to file with the Trustee on or before May 1, 1958 and on or before each May 1 thereafter an officers' certificate as to defaults by the Company in the performance of any provisions of the Indenture. (Indenture, §7.06).

#### **DESCRIPTION OF COMMON SHARES**

The record holder of each Common Share is entitled to one vote. There is no provision for cumulative voting. Common Shareholders have no preemptive rights. The outstanding Common Shares are fully paid and non-assessable. Upon issuance and sale as herein provided of the Common Shares offered hereby, such Common Shares will be fully paid and non-assessable.

Reference is made to the headings "Description of Subordinated Debentures—Dividend Restrictions" and "Certain Provisions of the Mortgage—Dividend Restrictions" for a description of certain limitations upon the payment by the Company of dividends upon its Common Shares.

#### **BOND PURCHASE AGREEMENTS**

Prior to the issuance and delivery of the Units offered hereby, the Company will enter into Bond Purchase Agreements dated February 11, 1957 (hereinafter called the "Bond Purchase Agreements") with certain investors (hereinafter called the "Purchasers"), including certain shareholders of the Company among which are the principal shareholders (or their affiliates) named under the heading "Management and Control", for the purchase of an aggregate of \$23,010,000 principal amount of Canadian Series Bonds and \$80,990,000 (U.S.) principal amount

of United States Series Bonds; in this connection reference is made to the information set forth herein under the heading "Financing Program and Proposed Capitalization".

The Canadian Series Bonds and the United States Series Bonds will be payable in Canadian and United States currencies, respectively. The purchase price of Bonds of each Series will be 100% of the principal amount thereof, payable in the respective currencies in which the Bonds are payable.

The following is a brief outline of certain of the provisions of the Bond Purchase Agreements.

The Company will authorize \$23,010,000 principal amount of Canadian Series Bonds and \$100,990,000 (U.S.) principal amount of United States Series Bonds as the two initial series of Bonds to be issued under and secured by a Deed of Trust and Mortgage to be dated as of January 1, 1957 (herein called the "Mortgage") from the Company to National Trust Company, Limited, an Ontario corporation having its principal office at Toronto, Canada, as Trustee. The Mortgage is to be in substantially the form attached as an exhibit to the Bond Purchase Agreements and is to constitute a first fixed and specific mortgage pledge and charge, subject to certain exceptions as will be specified in the Mortgage, upon all real and immovable property and rights, including fixed plant, fixed machinery and fixed equipment owned by the Company at a date not more than 50 days prior to the date of execution of the Mortgage, and on the Class A common shares of Alberta Trunk Line owned by the Company and all of the outstanding shares of capital stock of Western Pipe Lines, and on the Company's interest in the Alberta Trunk Line Contract, the Northern Ontario Section Contract, the Crown Corporation Lease and substantially all gas purchase and gas sales contracts of the Company entered into before or after the execution of the Mortgage. The Mortgage is also to create a floating charge upon the undertaking of the Company and all its property and assets, present and future, situated in the Provinces of Ontario, Quebec, Manitoba, Saskatchewan and Alberta (other than property subject to the specific lien of the Mortgage), as security for all of the bonds at any time outstanding, subject to the right of the Company to assign certain accounts receivable and otherwise to create liens on certain of its properties prior to the floating charge to secure certain bank borrowings. The Mortgage will provide that the mortgages and charges thereby created shall extend not only to assets owned by the Company at the date of execution of the Mortgage but also to assets acquired thereafter and will provide for the execution by the Company from time to time of any instruments which may be necessary to make such mortgages and charges effective against such after-acquired assets, subject to certain qualifications as will be set out in the Mortgage.

The Bond Purchase Agreements obligate the respective Purchasers, subject to the conditions set forth therein, to take delivery of and pay for their pro rata share, if any, of Canadian Series Bonds and United States Series Bonds in the amounts and on the dates set forth below:

<u>Date of Purchase</u>	<u>Principal Amount of Canadian Series Bonds</u>	<u>Principal Amount of United States Series Bonds</u>
June 3, 1957	\$ 3,709,000	\$13,062,000
September 3, 1957	4,638,000	16,329,000
May 1, 1958	6,493,000	22,860,000
August 1, 1958	8,170,000	28,739,000
	<hr/>	<hr/>
	\$23,010,000	\$80,990,000 (U.S.)

The Bond Purchase Agreements provide for the payment by the Company to each Purchaser on each of the above named dates of purchase of an amount calculated at the rate of 1% per annum on the aggregate principal amount of Bonds to be purchased by such Purchaser which have not been purchased prior to the date on which such payment is to be made, such 1% to be computed from January 1, 1957 in the case of the first such payment, and, in the case of every other such payment, from the date of the next preceding payment. The Company has the right to postpone from time to time, but in no event to a date later than August 1, 1958, the purchase and sale of Bonds scheduled for purchase on June 3, 1957, September 3, 1957 and May 1, 1958. In the event of any such postponement, the amount of 1% per annum to be paid by the Company to each Purchaser as stated above, will be increased for the period of the postponement to  $5\frac{1}{4}\%$  and  $5\frac{1}{2}\%$  per annum, respectively, with respect to the Purchaser's commitment to purchase the United States Series Bonds and the Canadian Series Bonds the purchase of which has been so postponed.

The obligations of the respective Purchasers under the Bond Purchase Agreements will be subject to various conditions some of which need be met only at the first date of purchase of the

Bonds and others of which must be met at each date of purchase. Certain of the conditions which must be met at the first date of purchase are:

(i) That the Company shall not have taken any previous action which would have been prohibited by the terms of the Mortgage had it been in effect at all times since the date of the Bond Purchase Agreements;

(ii) That the Purchasers shall receive a certificate of an independent engineer (to be delivered on the third date of purchase, also) to the effect that the date of exhaustion of the Company's gas supply (determined on the basis of deficiency in deliverability as provided in the Mortgage) will be a date not earlier than October 1, 1976 (which certificate the Company will be able to obtain prior to the first date of purchase only if it enters into certain contracts now being negotiated for the purchase of minor quantities of additional gas or other contracts for the purchase of such quantities of gas and only if it obtains an amendment to the permit authorizing it to export gas from Alberta);

(iii) That Alberta Trunk Line shall have received net cash proceeds from the sale of one or more classes of its securities of not less than \$13,500,000, and that legislation shall have been adopted in the Province of Alberta authorizing the Government of that Province to underwrite or purchase up to \$26,500,000 of bonds of Alberta Trunk Line to meet that company's construction requirements for 1957 and 1958. No representation is made that Alberta Trunk Line will be able to arrange the financing referred to above or that the Province of Alberta will authorize the underwriting or purchase of such bonds of Alberta Trunk Line; and

(iv) That the gas distribution system and related facilities in Montreal presently owned by Quebec Hydro Electric Commission, Montreal Coke and Manufacturing Company Limited and Keystone Transports Limited shall be acquired by Quebec Natural Gas Corporation, and that the latter corporation shall have obtained funds or obtained commitments for financing in an amount adequate to provide, for such period in the future as Commonwealth Services Inc. shall consider reasonable in the circumstances, for the conversion of such gas distribution system and related facilities to the distribution of natural gas and the expansion thereof as contemplated by the gas sales contract between the Company and Quebec Natural Gas Corporation. Quebec Natural Gas Corporation has advised the Company that it has an option which expires on March 1, 1957 to purchase such gas distribution system and related facilities for approximately \$35,000,000; that a payment of approximately \$1,000,000 has been made by Quebec Natural Gas Corporation under the option; that a further extension of such option to April 1, 1957 has been granted by the sellers subject to the payment by Quebec Natural Gas Corporation of an additional \$150,000 to the sellers on or before February 28, 1957 (the Company has been advised by Quebec Natural Gas Corporation that it proposes to make such payment on or before such date); and that Quebec Natural Gas Corporation is presently making arrangements to finance the balance of the purchase price of such facilities, and to obtain funds to apply toward the conversion and expansion of such system. Certain of the shareholders of the Company and certain of the underwriters of the Units have a financial interest in Quebec Natural Gas Corporation and may participate in the financing of such corporation. No representation is made that Quebec Natural Gas Corporation will be able to arrange financing which will enable it to exercise the option prior to its expiration date or that it will be able to obtain an extension of such expiration date, or that it will be able to obtain funds or commitments for financing in an amount which will satisfy the condition with respect thereto.

In addition to the foregoing, the obligations of the respective Purchasers to purchase Bonds both at the first and at each subsequent date of purchase will be subject to the following additional conditions:

(i) That on each date of purchase the Company shall, with certain exceptions, have all authorizations, consents, exemptions and approvals necessary for the Company to have procured by said date of purchase in view of the stage of construction or any partial operation of its properties reached by that date and to enable the Company to perform its obligations under the Northern Ontario Section Contract, the Crown Corporation Lease, the

Alberta Trunk Line Contract and the Bond Purchase Agreements, and that all such authorizations, consents, exemptions and approvals shall be in full force and effect;

(ii) That the Company shall have performed all agreements in the Bond Purchase Agreements required to be performed on or prior to such date of purchase; that the Company's gas purchase contracts and gas sales contracts (with minor exceptions), the Alberta Trunk Line Contract, the Northern Ontario Section Contract, the Note Purchase Agreement, the Crown Corporation Lease (if theretofore executed) and the assumption agreement with the Crown Corporation referred to under the heading "Northern Ontario Section" shall be in full force and effect, subject to specified rights of modification or amendment; and that the approvals or consents, if any, of all public regulatory bodies required in connection with the execution and delivery of the Mortgage or the issuance or sale of the Bonds to be purchased on such date of purchase shall be in full force and effect;

(iii) That the Purchasers shall receive a certificate of an independent engineer to the effect that there has not been any change in the program or progress of construction or in the financial or other condition or prospects of the Company or of Alberta Trunk Line or of Crown Corporation since February 6, 1957, which makes the Pipe Line System no longer feasible or which in any way materially impairs the Company's ability to carry on the business contemplated in this Prospectus or to perform its obligations under the Bond Purchase Agreements or the Mortgage or to meet its obligations as they become due, or which materially impairs the ability of Alberta Trunk Line to perform the Alberta Trunk Line Contract or of Crown Corporation to perform the Northern Ontario Section Contract or the Crown Corporation Lease;

(iv) That the Company shall not be in default under the Mortgage;

(v) That counsel for the Company and for the Purchasers shall give their favorable opinions as to various legal matters involved in the purchase of the Bonds and the acquisition by the Company of its properties as specified in the Bond Purchase Agreements, including the title of the Company to its properties and the lien of the Mortgage, the continued validity and enforceability of certain contracts of the Company, the validity and sufficiency of approvals of governmental bodies theretofore granted to the Company, Alberta Trunk Line and Crown Corporation, and the ability of Purchasers in the United States to remove the Bonds from Canada without the consent of or taxation by any governmental authority, which opinions of counsel for the Company are required to be satisfactory to counsel for the Purchasers;

(vi) That the aggregate principal amount of the Bonds required to be purchased by each of the other Purchasers on or prior to such date of purchase shall be or shall have been purchased, and that the Company shall have received at such date of purchase the proceeds of bank loans under the Bank Credit Agreement, substantially in proportion to the amount of United States Series Bonds being purchased on said date of purchase; and

(vii) That the Company shall have furnished certain certificates with respect to its affairs.

#### CERTAIN PROVISIONS OF THE MORTGAGE

The Mortgage is to provide that the cash received from the sale of the Canadian Series Bonds and the United States Series Bonds is to be deposited with the Mortgage Trustee and may be withdrawn by the Company from time to time to cover the cost of construction of the Initial Pipe Line System and the acquisition of the Niagara Section by the Company from its subsidiary, but only upon compliance by the Company with specified conditions. Such conditions include delivery of legal opinions and engineer's and officers' certificates showing in effect, among other things, that, prior to the first such withdrawal, at least \$70,000,000 has already been applied to construction costs from other funds of the Company, consisting principally of proceeds from the sale of the securities offered by this Prospectus, and, that, at the time of each subsequent withdrawal, (i) the funds held by the Company and the additional amounts of cash at the time committed to it (including, in the case of withdrawals prior to July 1, 1958, the principal amount of Escrow Bonds referred to below) will be sufficient to cover the remaining estimated

cost of completing construction of the Initial Pipe Line System and acquiring the Niagara Section, (ii) construction costs theretofore paid or incurred by the Company in respect of property then subject to the specific lien of the Mortgage, plus the value of securities purchased with cash deposited with the Mortgage Trustee available for withdrawal against construction costs are not less than 110% of the principal amount of the Bonds theretofore issued, (iii) necessary governmental authorizations and approvals have been obtained and continue in effect, (iv) the Northern Ontario Section Contract, the Crown Corporation Lease and the Alberta Trunk Line Contract continue in full force and effect and (v) the Company has contracts for all of the pipe necessary to complete the Initial Pipe Line System. Concurrently with the first withdrawal of cash and at the time of the first withdrawal of cash after an aggregate of \$30,000,000, \$60,000,000 and \$90,000,000 respectively, shall have been paid over to the Company by the Mortgage Trustee, the Company must deliver an independent engineer's certificate to the effect that there has not been any change in the program or progress of construction or in the financial or other condition or prospects of the Company or of Alberta Trunk Line or of Crown Corporation since February 6, 1957, which makes the Pipe Line System no longer feasible or which in any way materially impairs the Company's ability to own, lease and operate the Pipe Line System or to perform its obligations under the Mortgage or to meet its obligations as they become due, or which materially impairs the ability of Alberta Trunk Line to perform the Alberta Trunk Line Contract or of Crown Corporation to perform the Northern Ontario Section Contract or the Crown Corporation Lease.

The Mortgage will provide that after completion of the Initial Pipe Line System additional bonds may be issued from time to time against the acquisition by the Company of the Northern Ontario Section from the Crown Corporation to the extent of 100% of the net bondable value of the property so acquired (less an amount in lieu of depreciation accrued after the date of acquisition by the Company of the Northern Ontario Section) but not in excess of \$120,000,000, if such issuance will not cause the total principal amount of bonds and purchase money obligations then outstanding to exceed 70% of the Company's total capitalization (as defined) and if the Company's earnings show a required relationship, on a pro forma basis, to its interest and sinking fund obligations. Additional bonds may also be issued after completion of the Initial Pipe Line System in an amount equal to 60% of the net bondable value of other property additions (which may include oil and gas producing properties up to a limit of \$25,000,000), subject to the same requirements as to capitalization and earnings ratios.

Subject to compliance with the above capitalization ratio but regardless of compliance with any earnings ratio, additional bonds (hereinafter called "Escrow Bonds") may be issued in an amount not in excess of \$13,000,000 against the deposit of an equal amount of cash with the Mortgage Trustee. If required for completion of the Initial Pipe Line System, such cash may be withdrawn against construction costs therefor. The cash not so required, and any excess of the funds received from the sale of the Canadian Series Bonds and the United States Series Bonds over the cost of completing the Initial Pipe Line System, may be withdrawn by the Company in an amount equal to 100% of the net bondable value of property additions consisting of compressor installations needed to increase the capacity of the line to 570,000 Mcf per day. Cash not withdrawn for the above purposes is to be applied to redemption, without premium, of the Bonds and the Escrow Bonds.

#### **Sinking Fund Provisions:**

As a sinking fund for the retirement of the Bonds of the initial series the Company will be required to redeem on October 1, 1961 and on April 1 and October 1 in each year thereafter to and including April 1, 1978 Canadian Series Bonds in the aggregate principal amount of \$590,000 and United States Series Bonds in the aggregate principal amount of \$2,590,000, at the principal amount thereof together with accrued interest to the redemption date, leaving approximately \$15,880,000 due at maturity. The Mortgage will also provide that the sinking fund payments on the Bonds shall commence at an earlier date or shall retire Bonds in larger amounts than stated above in the event that an independent engineer's certificate filed for 1958 or any year thereafter prior to 1966 states that the date of exhaustion of the Company's gas supply (determined on the basis of deficiency in deliverability) will be a date earlier than October 1, 1976, or

in the event that any such certificate filed for 1966 or any year thereafter states that the date of exhaustion of the Company's gas supply will be a date earlier than October 1, 1983.

#### **Redemption Provisions:**

The Bonds will also be subject to redemption at the option of the Company at their principal amount and accrued interest plus a premium of 5% during the period from their issuance until June 1, 1973 with such premium reduced thereafter on each June 2 at the rate of 1% and without premium on and after June 2, 1977, except that no such redemption may be carried out prior to June 1, 1972 directly or indirectly as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness of the Company with an interest rate or cost to the Company of 5¼% per annum or less and except that Bonds may not be redeemed in a principal amount less than \$5,000,000 at any one time.

#### **Certain Covenants of Company:**

The Mortgage will provide that the Company may not cancel or terminate the Trunk Line Contract, the Northern Ontario Section Contract or the Crown Corporation Lease and that it may not amend any of such documents or amend in a material respect any gas purchase, sale or transportation contract subject to the specific lien of the Mortgage unless a required certificate is filed to the effect that such amendment is desirable in the Company's business and is not prejudicial to the bondholders. The Mortgage will further provide that the Company will complete the construction of the Initial Pipe Line System and place it in operation in conjunction with the Northern Ontario Section, with adequate working capital, not later than November 1, 1959, subject only to delays due to causes beyond the control of the Company, and in no event later than July 1, 1960, and will complete the expansion of the capacity of the Initial Pipe Line System of 570,000 Mcf per day not later than November 1, 1963, subject only to delays due to causes beyond the control of the Company, and in no event later than July 1, 1964.

So long as any of the Bonds are outstanding, the Company will be required by the terms of the Mortgage to deposit with the Mortgage Trustee semi-annually beginning October 1, 1959, and annually beginning April 1, 1965, cash equal to the excess of the Company's appropriations (not less than a specified minimum) for depreciation, depletion, amortization or other property retirement for the six months' or twelve months' period, as the case may be, ending three months before the date on which the deposit is to be made, over the principal amount of bonds of any series required to be retired through sinking funds or otherwise during such period and the amount of gross property additions which the Company elects to apply as a credit against such deposit for such period.

#### **Dividend Restrictions:**

The Mortgage will provide that prior to completion of the Initial Pipe Line System, the Company will not pay dividends on any of its common shares (except dividends paid in common shares), or purchase, redeem or otherwise acquire any shares of capital stock (except out of the proceeds of the issue of other capital stock or out of contributions to the capital of the Company) or (with certain exceptions) invest in any other corporation, and that it will not take any such action thereafter if its outstanding funded debt (with certain exceptions) would then exceed 75% of its total capitalization or if thereafter the aggregate amounts so paid for dividends, repurchases or redemptions would, together with interest not charged to construction, all payments (with certain exceptions) in respect of principal of its 5½% Subordinated Convertible Income Notes due 1987 and the Debentures, all amounts (with certain exceptions) invested in any other corporation and the excess of requirements for retirement of funded debt over the Company's appropriations (not less than a specified minimum) for depreciation, depletion, amortization and other property retirements, exceed the Company's net earnings available for interest after income taxes.

Copies of the form of the Bond Purchase Agreements, with a copy of the form of Mortgage attached, are filed as an exhibit to the Registration Statement. The foregoing brief outline of certain provisions of the Bond Purchase Agreements and of the Mortgage make use of certain terms defined in such instruments. Such outlines do not purport to be complete and reference is hereby made to the Bond Purchase Agreements and the Mortgage for full and complete statements of such provisions and for other information with respect to the Bonds.

## BANK CREDIT AGREEMENT

Prior to the issuance and delivery of the Units offered hereby, the Company will enter into a Bank Credit Agreement dated as of February 11, 1957 (herein called the "Bank Credit Agreement") with The First National City Bank of New York, Mellon National Bank and Trust Company and J. P. Morgan & Co. Incorporated pursuant to which such banks will agree to lend the Company from time to time prior to December 31, 1958 up to an aggregate amount of \$20,000,000 (U.S.) (herein called the "Bank Loan"), in United States funds, of which \$10,000,000 (U.S.) is to be loaned by The First National City Bank of New York, \$7,000,000 (U.S.) by Mellon National Bank and Trust Company and \$3,000,000 (U.S.) by J. P. Morgan & Co. Incorporated. The borrowings under the Bank Credit Agreement are to be made simultaneously with the issuance of Bonds under the Bond Purchase Agreements and substantially in proportion to the amount of United States Series Bonds being purchased on each purchase date. Loans under the Bank Credit Agreement are to be evidenced by promissory notes of the Company bearing interest at the rate of  $5\frac{1}{4}\%$  per annum and maturing March 1, 1962. Such loans are to be secured by the pledge of United States Series Bonds in a principal amount equal to the principal amount of the loans.

The Bank Credit Agreement will provide for the payment of a commitment fee at the rate of  $\frac{1}{2}\%$  of 1% per annum on the daily average unused commitment of each bank beginning January 1, 1957.

The obligations of the banks to make loans under the Bank Credit Agreement will be subject to substantially the same conditions as the obligations of the investors to purchase Bonds under the Bond Purchase Agreements and to certain other conditions relating to the authorization and validity of the Bank Credit Agreement, the notes issued thereunder and the security therefor.

The Company will have the right to prepay amounts borrowed under the Bank Credit Agreement at any time and from time to time in whole or in part without premium, except that a premium of 1% per annum to maturity on the amount prepaid will be required in case of any prepayment from the proceeds of borrowings from other banks. Sinking fund payments on the Bonds pledged to secure the Bank Loan will be required to be applied to the prepayment of such loan.

Copies of the form of Bank Credit Agreement, with a copy of the form of Pledge Agreement attached, are filed as an exhibit to the Registration Statement. The foregoing summaries thereof do not purport to be complete and reference is hereby made to the Bank Credit Agreement for complete information with respect to the Bank Loan.

## MANAGEMENT AND CONTROL

The directors and principal executive officers of the Company are as follows:

N. E. Tanner  
Charles S. Coates

H. R. Milner, Q.C.  
Frank A. Schultz  
Hon. Edouard Asselin, Q.C.  
T. H. Atkinson  
E. W. Bickle  
R. C. Brown  
John R. Fell  
E. D. Loughney  
M. A. MacPherson, Q.C.  
J. K. McCausland  
C. W. Murchison  
A. Deane Nesbitt  
G. P. Osler  
Gardiner Symonds  
Jules R. Timmins  
J. Ross Tolmie, Q.C.  
A. P. Craig  
N. John McNeill, Q.C.  
Robert C. Berry, C.A.

President and Director  
Executive Vice-President, General Manager  
and Director  
Vice-President and Director  
Vice-President and Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Vice-President  
Secretary  
Treasurer

The principal occupations of the principal executive officers of the Company during the past five years have been as follows:

N. E. Tanner has been president of the Company since March, 1954, when he resigned as president of Merrill Petroleums Limited and Sturdie Propane Limited, which positions he had held since 1952. Prior to that time he was Minister of Lands and Forests and Minister of Mines and Minerals for the Province of Alberta, which positions he had held for approximately 15 years. He is a director of National Trust Company, Limited and of The Alberta Gas Trunk Line Company Limited.

Charles S. Coates has been executive vice-president and general manager of the Company since August 1, 1954. Prior to that time he was senior vice-president of Tennessee Gas Transmission Company with which he had been associated since the inception of that company in 1943, during which time he acted as general superintendent of construction and has specialized in pipe line engineering, construction and operation.

H. R. Milner, Q.C. has been a vice-president and director of the Company since January, 1954. He is Chairman of Canadian Utilities, Limited, Northwestern Utilities, Limited and Canadian Western Natural Gas Company Limited, a director of International Utilities Corporation, and of The Royal Bank of Canada. He is a senior partner in the legal firm of Milner, Steer, Dyde, Martland & Layton; Milner, Steer, Martland & McNeill of Edmonton and Calgary, Alberta.

Frank A. Schultz has been a vice-president and director of the Company since January, 1954. He is also a vice-president and a director of Canadian Delhi Petroleum Ltd. and Canadian Delhi Oil Ltd. He was formerly a vice-president of Delhi Oil Corporation and served as its chief geologist from March, 1948, to January, 1955.

A. P. Craig has been a vice-president of the Company since July 23, 1954. Prior to that time he was a vice-president of Canadian Westinghouse Company Limited and director of Shipbuilding for the Defence Production Department of Canada.

N. John McNeill, Q.C. has been secretary of the Company since October 24, 1956 prior to which time he served as an assistant secretary. He is and has been for the past nineteen years engaged in the general practice of law and for the past two years has been a member of the legal firm of Milner, Steer, Dyde, Martland & Layton; Milner, Steer, Martland & McNeill, of Edmonton and Calgary, Alberta, counsel for the Company.

Robert C. Berry, C. A. has been Treasurer of the Company since October 24, 1956. Prior to that time he was a partner in the firm of Deloitte, Plender, Haskins & Sells, Chartered Accountants, Montreal, Quebec.

During the fiscal year ended December 31, 1956 the Company paid the following direct remuneration to the following persons for services in all capacities:

<u>Name of individual or identity of group</u>	<u>Capacities in which remuneration was received</u>	<u>Aggregate direct remuneration</u>
N. E. Tanner .....	President	\$ 35,000
C. S. Coates .....	Executive Vice-President and General Manager	\$ 45,000
All Directors and Officers .....	Officers	\$145,512

The Company has no existing plan for pension or retirement benefits to be paid to the persons named above with the exception of a contractual obligation to pay to N. E. Tanner, President of the Company, a retirement allowance of \$15,000 per year for the five years next following the expiration of his contract of employment with the Company. Mr. Tanner's employment contract is dated March 9, 1954 and expires March 9, 1959, unless renewed by mutual consent. Mr. Coates has entered into an employment contract dated August 2, 1954 and expiring August 1, 1959, unless renewed by mutual consent, which provides for a salary of \$45,000 per year to August 1, 1957 and \$50,000 per year thereafter.

The Company has granted to N. E. Tanner, the President of the Company, an option exercisable on or before March 8, 1959 to purchase 60,000 common shares of the capital stock of the Company at the price of \$8.00 per share, to C. S. Coates, the Executive Vice-President and

General Manager of the Company, an option exercisable on or before July 31, 1959 to purchase 50,000 common shares at the price of \$8.00 per share or the fair market value of said shares at the date the option is exercised whichever is the lesser, to T. H. Atkinson, a Director of the Company and chairman of its Finance Committee, an option, exercisable on or before July 12, 1958, to purchase 12,500 common shares at the price of \$8.00 per share and to R. J. Wallace, formerly Manager of Gas Supply of the Company, an option exercisable on or before August 31, 1957 to purchase 5,000 common shares of the Company at the price of \$8.00 per share. On February 11, 1957 the Board of Directors granted an option to A. P. Craig, a Vice President of the Company, to purchase on or before February 11, 1959, 7,500 common shares of the Company at a price of \$10.00 per share. In February, 1957 Mr. Tanner exercised the option granted to him to the extent of 55,000 common shares and Mr. Coates exercised the option granted to him for 50,000 common shares. There have been no market quotations available for the Company's common shares.

As of February 1, 1957 the principal holders of common shares of the Company were as follows:

<u>Name and address</u>	<u>Type of Ownership</u>	<u>Amount Owned</u>	<u>Per cent of class</u>
Canadian Delhi Oil Ltd. Calgary, Alberta	Record and beneficial	497,040*	25.77%
Hudson's Bay Oil and Gas Company Limited Calgary, Alberta	Record and beneficial	327,790	17%
The British American Oil Company Limited Toronto, Ontario	Record and beneficial	327,790	17%
Tennessee Gas Transmission Company Houston, Texas	Record and beneficial	327,790	17%

\* Not including 58,919 shares held of record by Montreal Trust Company which the Company understands are held beneficially by Canadian Delhi Oil Ltd. but subject to a trust agreement which grants an option to purchase such shares to certain other shareholders of the Company and which gives the optionees the right to vote such shares.

All the shareholders named above purchased their common shares at \$8.00 per share except for 1,001 shares sold to Canadian Delhi Oil Ltd. at \$1 per share.

Certain of the shareholders of the Company, including those named above, who own in the aggregate 1,904,417 common shares (constituting 98.77% of the outstanding common shares of the Company) propose, prior to the issuance and delivery of the Units offered hereby, to enter into a Voting Trust Agreement, dated as of January 1, 1957 and terminating December 31, 1966 and to deposit the shares owned by them under such Voting Trust Agreement. The Voting Trustees named in the Voting Trust Agreement are T. H. Atkinson, R. C. Brown, E. D. Loughney, H. R. Milner, A. Deane Nesbitt, Frank A. Schultz and William W. Witmer. Shares owned by the shareholders who are parties to the Voting Trust Agreement are to be deposited with the Voting Trustees in exchange for Voting Trust Certificates, as soon as such shares have been released from the escrow provided for in an agreement dated May 8, 1956 between Her Majesty the Queen in right of Canada, all the shareholders of the Company and the Deputy Minister of Finance of Canada, as Trustee. The agreement of May 8, 1956 provides that such shares are in effect to be held in escrow by the Deputy Minister of Finance as security for the performance by the Company of its obligations under the Indenture of Mortgage with the Crown Corporation referred to under the heading "Financing Program and Proposed Capitalization". The 5% Mortgage Bonds issued by the Company to the Crown Corporation will be paid in full and such Indenture discharged at the time of the issue and delivery of the Units offered hereby, and thereupon the shares held in escrow by the Deputy Minister of Finance will be released.

Mrs. N. E. Tanner, the wife of the president of the Company, is the beneficial owner of record of 9,999 common shares of the Company.

The Company has entered into gas purchase contracts with The British American Oil Company Limited, Hudson's Bay Oil and Gas Company Limited, Canadian Delhi Oil Ltd. and Ten-

nessee Gas Transmission Company. Mr. Loughney is a vice-president and a director of British American Oil Company Limited, and of Canadian Gulf Oil Company which is a wholly-owned subsidiary. Mr. Brown is president and a director of Hudson's Bay Oil and Gas Company Limited. Mr. Schultz is vice-president and a director of Canadian Delhi Oil Ltd. and Mr. Murchison is president and a director of Canadian Delhi Oil Ltd.

Reference is made to the heading "Agreements with Midwestern" for a description of the Company's agreements with Tennessee and Midwestern. Mr. Symonds is president and a director of Tennessee and Chairman of the Board and a director of Midwestern. Mr. Witmer is a vice president of Tennessee.

Mr. Fell, a director of the Company, is a partner of Lehman Brothers. Mr. Nesbitt, a director of the Company, is president and a director of Nesbitt, Thomson and Company, Limited, and is also president and a director of Power Corporation of Canada Limited, one of the parties to the Note Purchase Agreement referred to under the heading "Note Purchase Agreement with Shareholders" and to one of the Bond Purchase Agreements referred to under the heading "Bond Purchase Agreements". Mr. McCausland, a director of the Company, is a director of Wood, Gundy & Company Limited. Mr. Osler, a director of the Company, is president and a director of Osler, Hammond & Nanton Limited. The firms and corporations mentioned in this paragraph are all Underwriters of the Units. In this connection reference is made to the information included herein under the heading "Underwriting".

### NOTE PURCHASE AGREEMENT WITH SHAREHOLDERS

Prior to the issuance and delivery of the Units, the Company will enter into a Note Purchase Agreement dated as of January 1, 1957, with the shareholders of the Company named below (herein called the "Shareholders") with respect to the purchase of \$21,000,000 principal amount of the Company's 5½% Subordinated Convertible Income Notes due 1987 (herein called the "Notes"). The trustee under the Company's Mortgage (herein called the "Mortgage Trustee") and the Trustee under the Debenture Indenture (herein under this heading called the "Debenture Trustee") will be parties to the Note Purchase Agreement and will be given rights to enforce said agreement for the benefit of the holders of the Company's First Mortgage Pipe Line Bonds and Debentures respectively. Neither the Note Purchase Agreement nor the Notes may be changed in a manner adversely affecting the holders of the Company's originally contemplated First Mortgage Pipe Line Bonds (as defined) except with the consent of the holders of 66⅔% in aggregate principal amount of such Bonds and of the promissory notes referred to under the heading "Bank Credit Agreement" at the time outstanding; nor may the Note Purchase Agreement or the Notes be changed in a manner adversely affecting the holders of the Debentures except with the consent of the holders of a majority in aggregate principal amount of the Debentures at the time outstanding.

The Note Purchase Agreement will provide that the Shareholders will be severally obligated to purchase, upon the terms and conditions provided in the Note Purchase Agreement, not in excess of the principal amount of Notes set forth opposite their respective names in the Total Amount Column below:

<u>Name</u>	<u>Percentage</u>	<u>Total Amount</u>
Hudson's Bay Oil and Gas Company Limited .....	17.00%	\$ 3,570,000
The British American Oil Company Limited .....	17.00	3,570,000
Tennessee Gas Transmission Company .....	17.00	3,570,000 -
Canadian Delhi Oil Limited .....	26.05	5,470,500
International Utilities Corporation .....	7.58	1,591,800
Osler, Hammond & Nanton Limited .....	3.20	672,000
N. T. Investments Limited .....	1.16	243,600
Wood, Gundy & Company Limited .....	5.06	1,062,600
The Calgary & Edmonton Corporation Limited ....	2.05	430,500
Power Corporation of Canada Limited .....	2.04	428,400
Canadian Power & Paper Securities Limited .....	1.06	222,600
Nesbitt, Thomson and Company, Limited .....	.80	168,000
	100.00%	\$21,000,000

X →

X solo K Home oil

The Note Purchase Agreement will provide that the Shareholders will be severally obligated to purchase at par, from time to time, an aggregate principal amount of Notes equal to the Bond Interest Deficiency (accrued interest on all First Mortgage Pipe Line Bonds less net earnings available for such interest, as defined), Depreciation Fund Deficiency (the Company's Depreciation Accrual less net earnings available for interest and depreciation, as defined) and Debenture Interest Deficiency (interest accrued on the Debentures less net earnings available for such interest, as defined) for specified computation periods. Such computation periods consist of the six months periods ended June 30 and December 31 in the years 1959, 1960, 1961, 1962 and 1963 and the three months period ended January 31, 1959. For purposes of computing Deficiencies under the Note Purchase Agreement, the figures for the three months period ended January 31, 1959 are in effect doubled and the Company is in effect deemed to have no Depreciation Accrual for such period; and the actual Depreciation Accrual for the six months period ended December 31, 1959 is multiplied by four-thirds. Deficiencies under the Note Purchase Agreement are to be determined on the basis of periodic certificates delivered by the Company or, if the Company fails to deliver such certificates, on an assumed basis set forth in the Agreement.

Payment for Notes purchased by Shareholders under the foregoing provisions are to be made to the Mortgage Trustee, except that payments for Notes purchased on account of Debenture Interest Deficiencies, up to a maximum of \$7,910,000, are to be made to the Debenture Trustee, unless an event of default under the Mortgage or an event which with the passage of time constitutes such an event of default is continuing or unless the Company has failed to deliver the computation certificates referred to above for the relevant computation period. Amounts so received by the Mortgage Trustee on account of Bond Interest Deficiencies are to be used to pay Bond interest and amounts so received by the Mortgage Trustee on account of Depreciation Fund Deficiencies or Debenture Interest Deficiencies may be withdrawn on the basis of property additions or used to redeem Bonds. Amounts so received by the Debenture Trustee are to be applied to the payment of Debenture interest.

Each Shareholder will have the right under the Note Purchase Agreement to purchase from the Company at the option of such Shareholder during the period from November 1, 1958 to July 1, 1964 at par a principal amount of Notes which, together with the principal amount of all Notes theretofore purchased by such Shareholder pursuant to any provisions of the Agreement, will not exceed one-third of the amount set forth opposite its name in the Total Amount Column of the tabulation set forth above. The purchase price of Notes purchased at the option of a Shareholder is to be paid to the Mortgage Trustee and to be applied as credits on the next succeeding obligations of the Shareholder to purchase Notes to meet Deficiencies, including Debenture Interest Deficiencies. Any such funds held by the Mortgage Trustee on July 1, 1964 are to be paid over to the Company.

The Notes will mature on January 1, 1987, and will bear interest at the rate of  $5\frac{1}{2}\%$  per annum. Such interest will not be cumulative and will be payable, as provided in the Notes, only to the extent earned. The Company may prepay any Note, in whole or in part, after July 1, 1964 at a redemption price of 105% of the principal amount together with accrued interest from the preceding May 1. The indebtedness represented by the Notes will be expressly subordinated in all respects in the manner set forth in the Notes to the prior payment in full first of all the Company's First Mortgage Pipe Line Bonds, second of all the Company's Other Senior Indebtedness (as defined) and third of the Debentures, and after default on the Company's First Mortgage Pipe Line Bonds, Other Senior Indebtedness or Debentures, no payments (with certain exceptions) will be permitted to be made on the Notes. Other Senior Indebtedness will be defined as the principal of and premium, if any, and interest on indebtedness of the Company (other than First Mortgage Pipe Line Bonds and the Debentures) unless the instrument creating or evidencing such indebtedness provides that such indebtedness is not superior in right of payment to the Notes. The Notes are to be convertible at their principal amount into common shares of the Company at any time after July 1, 1964 and prior to maturity at \$15 per share except that such privilege shall terminate at the close of business on the 15th day prior to any prepayment date as to Notes to be prepaid on such date. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution.

## ACCOUNTANTS' REPORT

The Board of Directors

Trans-Canada Pipe Lines Limited:

We have examined the consolidated balance sheet of Trans-Canada Pipe Lines Limited and its subsidiary companies as of December 31, 1956, the consolidated statements of operations, deficit and capital surplus for the three years then ended and the summary of cash receipts and expenditures from incorporation of the company on March 21, 1951 to December 31, 1956. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the consolidated financial position of Trans-Canada Pipe Lines Limited and subsidiary companies at December 31, 1956, the results of their operations for the three years then ended and the cash receipts and expenditures from incorporation of the company on March 21, 1951 to December 31, 1956, all in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & Co.  
Chartered Accountants.

Toronto, Ontario,  
February 12, 1957.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Balance Sheet**

December 31, 1956

**ASSETS**

**Plant, property and equipment—at cost (Note 1):**

Niagara Section—gas plant leased to others .....	\$ 5,345,342.54	
Less: Accumulated depreciation (Note 2) .....	405,575.82	\$ 4,939,766.72
Main line—Alberta-Saskatchewan border to Montreal, Quebec:		
Construction costs of main line beginning June 8, 1956....	46,838,468.39	
Preliminary surveys and engineering and other costs	4,980,694.19	
Construction management contract—costs including land rights acquired prior to June 8, 1956 .....	3,492,206.93	55,311,369.51
Equipment—Furniture and fixtures and automobiles .....	249,736.24	
Less: Accumulated depreciation (Note 2) .....	82,980.07	166,756.17
		60,417,892.40

**Investment—at cost:**

The Alberta Gas Trunk Line Company Limited shares.....		3,825.00
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**Current assets:**

Cash on hand and in banks .....	7,182,113.48	
Cash on deposit with trust company for payment of debenture interest .....	45,212.66	
	7,227,326.14	
Government of Canada treasury bills—at cost.....	897,441.00	
Remission of customs duty receivable.....	1,698,114.83	9,822,881.97
Deferred non-construction items (Note 1).....		455,487.61
Organization expenses .....		36,067.60

\$70,736,154.58

See accompanying notes to financial statements.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Balance Sheet**

December 31, 1956

**LIABILITIES**

**Shareholders' equity:**

**Capital stock (Note 3):**

Preferred—Authorized 1,000,000 non-voting shares of a par value of \$50.00 per share

Common—Authorized 10,000,000 shares of a par value of \$1.00 per share

—Issued and outstanding 1,928,184 shares..... ✓ \$ 1,928,184.00

Premium on issue of common shares ..... 13,483,279.88

15,411,463.88

Less deficit—per consolidated Statement of Operations and Deficit ..... 316,875.77

15,094,588.11

Capital surplus (Note 4) ..... 204,885.42

Shareholders' equity ..... 15,299,473.53

**Funded debt (Note 5):**

5% First Mortgage bonds .....	\$43,750,000.00	
4¾% Sinking Fund Debentures .....	<u>5,350,000.00</u>	49,100,000.00

**Current liabilities:**

Accounts payable .....	5,773,673.46	
Interest accrued on bonds and debentures .....	<u>563,007.59</u>	6,336,681.05

**Commitments (Notes 7 and 8)**

Approved on behalf of the Board:

CHAS. S. COATES                      Director

J. R. FELL                              Director

\$70,736,154.58

See accompanying notes to financial statements.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Statement of Operations and Deficit  
For the three years ended December 31, 1956 (Note 1)**

	Year Ended December 31, 1954	Year Ended December 31, 1955	Year Ended December 31, 1956
Revenues:			
Revenue from gas plant leased to others ....	\$73,345.88	220,362.36	251,750.00
Interest revenue .....	—	—	71,398.26
	<u>73,345.88</u>	<u>220,362.36</u>	<u>323,148.26</u>
Expenses:			
Interest on funded debt .....	—	—	212,931.22
Bank interest .....	38,012.56	236,123.04	40,574.14
Other expenses .....	—	269.16	246.33
Depreciation (Note 2) .....	35,333.32	183,007.18	187,235.32
	<u>73,345.88</u>	<u>419,399.38</u>	<u>440,987.01</u>
Loss for the period .....	—	199,037.02	117,838.75
Deficit at beginning of period .....	—	—	199,037.02
Deficit at end of period .....	<u>\$ —</u>	<u>199,037.02</u>	<u>316,875.77</u>

NOTE:

Apart from interest of \$68,221.00 received on short-term investments of Trans-Canada Pipe Lines Limited, the revenues and expenses shown in the above statement relate to the Niagara Section owned by Western Pipe Lines.

**Consolidated Statement of Capital Surplus  
For the three years ended December 31, 1956 (Note 4)**

	Year Ended December 31, 1954	Year Ended December 31, 1955	Year Ended December 31, 1956
Balance at beginning of period .....	\$ —	24,981.27	24,981.27
Excess of interest charged to construction over interest expense .....	24,981.27	—	179,904.15
Balance at end of period .....	<u>\$24,981.27</u>	<u>24,981.27</u>	<u>204,885.42</u>

See accompanying notes to financial statements.

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# TRANS-CANADA PIPE LINES LIMITED AND SUBSIDIARY COMPANIES

Consolidated summary of Receipts and Expenditures of the Company and its Subsidiaries  
from the Date of Incorporation of the Company, March 21, 1951, to December 31, 1956,  
including items received and expended on behalf of the Company  
and its Subsidiaries by originating groups

	Operating items (Credits)	Entire Period		Year ended December 31, 1956	Year ended December 31, 1955	Transactions March 21, 1951 to December 31, 1954
		Receipts	Expenditures			
Niagara Section—gas plant leased to others:						
Cost of line .....						
Less excess of interest charged to construction over interest expense .....				(Cr. 4,238.06)	17,254.38	5,332,326.22
			5,320,361.27			(Cr. 24,981.27)
Bank loan .....		5,240,000.00		5,240,000.00		(5,240,000.00)
Repayment of bank loan .....		5,350,000.00		(5,350,000.00)		
4¾% Sinking Fund Debentures issued .....						
Operations of Niagara Section:						
Revenue from gas plant leased to others .....	(545,458.24)	545,458.24		(251,750.00)	(220,362.36)	(73,345.88)
Interest received on short-term investments .....	(3,177.26)	3,177.26		(3,177.26)		
Bank interest .....	314,709.74		314,709.74	40,574.14	236,123.04	38,012.56
Interest on funded debt .....	212,931.22		212,931.22	212,931.22		
Other expenses .....	515.49		515.49	246.33	269.16	
Depreciation .....	405,575.82					
Deficit at December 31, 1956 of Western Pipe Lines ..	385,096.77					
Main line—Burstall, Saskatchewan to Montreal, Quebec:						
Construction management contract—costs including land rights acquired prior to June 8, 1956 .....			3,492,206.93	102,206.93	1,430,000.00	1,960,000.00
Construction costs beginning June 8, 1956 ...				46,838,468.39		
Less:						
Excess of interest charged to construction over interest expense .....				(Cr. 179,904.15)		
Depreciation of equipment .....				(Cr. 10,880.13)		
			46,647,684.11			
Preliminary surveys and engineering and other costs (Note 1):						
Preliminary engineering study .....			126,409.72			126,409.72
Advertising and public relations .....			207,020.31	12,913.72	36,723.76	157,382.83
Salaries of directors and officers .....			396,711.84	48,064.43	125,719.17	332,928.24
or salaries and wages .....			335,974.78	49,987.13	177,061.42	926.23

Engineering, geological, market surveys and other consultant services .....	2,223,630.61	(Cr. 5,019.44)	379,352.72	1,449,297.33
Legal and accounting fees, other than government hearings and organization expense .....	627,970.36	32,559.56	93,020.02	502,390.78
Government hearings .....	173,888.51	146,523.11	25,721.13	1,644.27
Rents .....	221,099.74	57,619.35	136,046.31	27,434.08
Expenses of transportation, aircraft, automobiles, etc.....	388,588.24	63,269.06	150,138.68	175,180.50
Other expenses, insurance, office supplies, etc. ....	228,190.21	39,718.02	88,965.70	99,506.49
Bank interest .....	584.37			584.37
Depreciation of equipment .....	50,625.50	15,755.91	29,085.40	5,784.19
Total per balance sheet .....	4,980,694.19	461,390.85	1,241,834.31	3,277,469.03
Deduct depreciation of equipment .....	50,625.50	15,755.91	29,085.40	5,784.19
Expenditures in respect of preliminary costs of pipe-line project .....	4,930,068.69	445,634.94	1,212,748.91	3,271,684.84
Duty paid for which remission is receivable .....	1,698,114.83	1,698,114.83		
Equipment, furniture and fixtures and automobiles .....	252,042.64	19,854.25	166,975.66	65,212.73
Proceeds of disposal of certain fixed assets (cost \$2,306.40) ....	1,853.50	(1,853.50)		
Investment in The Alberta Gas Trunk Line Company Limited shares .....	3,825.00		2,200.00	1,625.00
Temporary cash investments—Government of Canada treasury bills .....	897,441.00	897,441.00		
Organization expenses .....	36,067.60			36,067.60
Non-construction items of Trans-Canada Pipe Lines Limited from June 8, 1956 to December 31, 1956 (Note 1):				
Salaries and wages .....	80,082.29	80,082.29		
Other expenses, office supplies, etc. ....	353,477.98	353,477.98		
Depreciation .....				
Total per balance sheet .....	455,487.61			
Revenue of Trans-Canada Pipe Lines Limited—Interest received on short term investment .....	68,221.00	(68,221.00)		
5% First Mortgage bonds issued .....	43,750,000.00	(43,750,000.00)		
Sales of shares .....	15,411,463.88	(7,228,720.00)	(2,832,016.00)	(5,350,727.88)
Total receipts .....	\$70,370,173.88	(56,653,721.76)	(3,052,378.36)	(10,664,073.76)
Total expenditures .....	69,479,528.79	55,734,009.96	3,065,571.15	10,679,947.68
Excess or (deficiency) of receipts over expenditures ..	890,645.09	919,711.80	(13,192.79)	(15,873.92)
Net increase in cash .....	7,227,326.14	7,017,531.76	124,193.55	85,600.83
Increase in accounts payable and accruals (net) .....	\$ 6,336,681.05	6,097,819.96	137,386.34	101,474.75
Consolidated deficit at December 31, 1956 .....	\$316,875.77			

Note: Items in brackets and marked credit are not receipts but are reductions of expenditures.  
See accompanying notes to financial statements.

# TRANS-CANADA PIPE LINES LIMITED AND SUBSIDIARY COMPANIES

## Notes to Consolidated Financial Statements

December 31, 1956

### 1. Principles of Consolidation and of Accounting:

The consolidated balance sheet includes (after elimination of intercompany balances) the accounts of Trans-Canada Pipe Lines Limited and its wholly owned subsidiaries, Western Pipe Lines, Trans-Canada Grid of Alberta Ltd. and Alberta Inter-Field Gas Lines Limited, the latter two being non-operating companies.

The investment of Trans-Canada in its subsidiaries at December 31, 1956 amounted to \$110,083.00 and the excess of their liabilities over assets at that date amounted to \$250,032.50, a difference of \$360,115.50. In consolidation \$385,096.77, representing losses of Western Pipe Lines since inception, has been charged to deficit and \$24,981.27, representing the excess of interest capitalized over interest paid by that company, has been credited to capital surplus.

All expenditures relative to the construction of the various sections of the pipe line system presently being or to be constructed by Trans-Canada have been capitalized. The preliminary surveys and engineering and other costs together with the construction management contract costs accumulated to June 7, 1956 are considered to be capital costs chargeable to separate sections of the pipe line system. Beginning June 8, 1956, the day after arrangements were completed for the borrowing from Northern Ontario Pipeline Crown Corporation, non-construction items such as the expenses of the gas purchase and gas sales departments have been treated as deferred charges and carried under the heading "deferred non-construction items."

The Niagara Section was constructed by Western Pipe Lines and is presently leased to others as outlined in Note 6 hereafter.

The expenditures to December 31, 1956 included under the caption "Preliminary surveys and engineering and other costs" may be summarized as follows:

Preliminary engineering study .....	\$ 126,409.72
Advertising and public relations .....	207,020.31
Salaries of directors and officers .....	396,711.84
Other salaries and wages .....	335,974.78
Engineering, geological, market surveys and other consultant services .....	2,223,630.61
Legal and accounting fees, other than government hearings and organization expense .....	627,970.36
Government hearings .....	173,888.51
Rents .....	221,099.74
Expenses of transportation, aircraft, automobiles, etc. ....	388,588.24
Other expenses, insurance, office supplies, etc. ....	228,190.21
Bank interest .....	584.37
Depreciation of equipment .....	50,625.50
	\$4,980,694.19

### 2. Depreciation Policies:

Provisions for depreciation of the Niagara Section, aggregating \$405,575.82 at December 31, 1956, have been computed at 3½% on a straight-line basis and have been charged to operations as set forth in the accompanying Consolidated Statement of Operations and Deficit. Provisions for depreciation of equipment have been computed on a straight-line basis at rates of 30% for automobiles and 20% for other equipment and have been charged as follows:

#### Plant, property and equipment:

Main line .....	\$10,880.13
Preliminary surveys and engineering and other costs .....	50,625.50
Deferred non-construction items .....	21,927.34
	\$83,432.97

There have been no charges for maintenance, repairs, renewals and betterments. There have been only minor disposals of equipment; the excess of cost over proceeds received amounted to \$452.90, which has been charged against accumulated depreciation. Maintenance of the Niagara Section is borne by the lessee.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements—(Continued)**

**3. Capital Stock:**

Since the inception of Trans-Canada the following Common Shares have been issued:

	<u>Credited to capital stock</u>	<u>Credited to premium on issue of Common Shares</u>
Issued prior to July 31, 1954:		
1,002 shares for a cash consideration .....	\$ 1,002.00	—
1,000 shares issued in settlement of cash advances .....	1,000.00	—
	<u>2,002.00</u>	<u>—</u>
Issued since July 31, 1954:		
415,463 shares in settlement of amounts due to shareholders which included amounts ex- pended for incorporation and preliminary costs .....	\$ 415,463.00	2,908,246.88
607,129 shares in settlement of cash advances	607,129.00	4,249,903.00
903,590 shares for a cash consideration .....	903,590.00	6,325,130.00
	<u>1,926,182.00</u>	<u>13,483,279.88</u>
	<u>\$1,928,184.00</u>	<u>13,483,279.88</u>

On May 28, 1956 Trans-Canada accepted a subscription for the purchase of 40,000 Common Shares at a price of \$8.00 per share. The subscription provided that the Common Shares covered thereby would be issued against payment contemporaneously with the initial financing of the Company's pipe line system.

Trans-Canada has granted, to its senior officials, the following options covering Common Shares of a par value of \$1.00 per share:

(a) 60,000 shares within a period of five years from March 9, 1954 at a price of \$8.00 per share. Since December 31, 1956 this option has been exercised with respect to 55,000 shares.

(b) 50,000 shares within a period of five years from August 1, 1954 at a price being the lesser of the then fair market value or \$8.00 per share. Since December 31, 1956, this option has been exercised in full at \$8.00 per share.

(c) 12,500 shares within a period of two years from July 12, 1956 at a price of \$8.00 per share.

(d) 5,000 shares exercisable on or before August 31, 1957 or an earlier date in the event of release of certain escrowed stock, at a price of \$8.00 per share.

(e) 7,500 shares exercisable within a period of two years from February 11, 1957 at a price of \$10.00 per share. This option was granted on February 11, 1957.

In addition, Trans-Canada has set aside 42,500 of its Common Shares for the purpose of granting options from time to time to its key officials and employees. As of this date no options have been granted from these shares.

Under the terms of an agreement, known as the "Note Purchase Agreement", to be executed prior to the offering of Units covered by this Prospectus, certain shareholders of the Company will, under certain circumstances, be obligated to purchase from the Company its 5½% Subordinated Convertible Income Notes up to a maximum principal amount of \$21,000,000 and in any event will have the right to purchase such notes up to a principal amount of \$7,000,000. The notes will be convertible at any time after July 1, 1964 into Common Shares at a conversion price of \$15.00 per share or at such adjustment of that price as required to provide protection against dilution. If the shareholders were obligated to purchase the maximum principal amount of notes, 1,400,000 Common Shares would initially be required to be set aside to satisfy the conversion privilege. If the shareholders exercise their right to purchase \$7,000,000 principal amount of notes, 466,667 Common Shares would initially be required to be set aside to satisfy the conversion privilege.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements—(Continued)**

In this connection reference is made to the information set forth in the Prospectus under the heading "Note Purchase Agreement with Shareholders".

**4. Capital Surplus:**

Interest has been charged to construction of the pipe line system at the rate of 7% on the average monthly balances appearing in the construction accounts. Similarly, interest was charged to construction of the Niagara Section prior to its completion at the rate of 7% on the average monthly balances of the progress payments made to the contractor. The excess of interest so charged over the interest expense incurred has been credited to capital surplus.

**5. Funded Debt:**

**TRANS-CANADA PIPE LINES LIMITED:**

By an indenture dated June 7, 1956 between Trans-Canada and the Crown Corporation, an issue of \$80,000,000.00 of 5% First Mortgage Bonds has been created. Such bonds, which are to be redeemed from the proceeds of the present financing, are payable both as to principal and interest on April 2, 1957 subject to extensions due to force majeure and may be redeemed at the option of Trans-Canada prior to their maturity without premium or penalty at the face value thereof. Trans-Canada has, among other things, covenanted under the indenture that, subject to any delay due to force majeure (as defined in the indenture), it was to have completed by December 31, 1956 the construction of the western section of the pipe line, defined as being from a point at or near the Alberta-Saskatchewan border to a point in the vicinity of Winnipeg, Manitoba. The Crown Corporation is aware that a delay in the completion of the western section by December 31, 1956 by reason of force majeure has occurred. These bonds are secured on the real and other property of Trans-Canada including all the shares (other than directors' qualifying shares) of the subsidiary companies.

Under the terms of this indenture Trans-Canada may from time to time request the Crown Corporation to purchase 5% First Mortgage Bonds at 100% of the principal amount thereof in an amount not in excess of 90% of the cost of the construction of the western section or \$80,000,000, whichever is the lesser.

At December 31, 1956 \$43,750,000.00 principal amount of the 5% First Mortgage Bonds of Trans-Canada was outstanding and during the period from December 31, 1956 through February 8, 1957 further bonds aggregating \$6,000,000.00 were issued and cash received of a like amount.

**WESTERN PIPE LINES:**

Under a Deed of Trust and Mortgage dated November 1, 1954 Western Pipe Lines created 4¾% Sinking Fund Debentures of an authorized principal amount of \$7,500,000.00 dated November 1, 1954 and maturing November 1, 1959 and redeemable on 30 days notice at their face value. At December 31, 1956 \$5,350,000.00 principal amount of these debentures was outstanding.

The Niagara Section upon which these debentures are secured is leased to others (See Note 6).

The Deed of Trust and Mortgage securing the 4¾% Sinking Fund Debentures provides that Western Pipe Lines will create a sinking fund and will pay thereinto on or before October 31 in each of the years 1955 to 1958 inclusive an amount equal to that portion of the revenue (rental) measured by depreciation of the year then ended. The sinking fund contributions have been waived by the debenture holders for the period to October 31, 1956 as the original rental agreement did not provide for rent attributable to depreciation to that date. Trans-Canada will have to provide for the sinking fund contribution for the year to October 31, 1957 approximating \$160,000.00 since, as set out in Note 6 hereafter, the rent to be received up to October 31, 1957 will not include depreciation.

The Deed of Trust and Mortgage securing the 4¾% Sinking Fund Debentures places a restriction on the payment of dividends by Western Pipe Lines so long as any of the debentures are outstanding.

**TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements—(Continued)**

**6. Niagara Section Rental Agreement:**

The Niagara Section constructed by Western Pipe Lines, is leased to a gas transmission company for a period of five years from November 1, 1954; the rent payable will be approximately equal to the interest charges sustained by the Company from November 1, 1954 to October 31, 1957 and thereafter the rent will be increased to also cover approximately the depreciation charge. If Alberta gas has not been made available to The Consumers' Gas Company of Toronto and to other customers of the lessee prior to September 1, 1959 in quantities sufficient to meet the requirements of that company and such other customers, then the lessee may up to October 31, 1959 purchase the Niagara Section for an amount equal to the cost of the line less depreciation included in the rental payments referred to in the previous sentence.

**7. Commitments:**

Trans-Canada plans to construct a pipe line system, referred to in the balance sheet as "Main line", to transport gas from Alberta through Saskatchewan and Manitoba to the principal industrial areas of Ontario and Quebec.

Under agreements, as amended, the Crown Corporation is to construct, at a cost presently estimated at approximately \$120,000,000, a section of the pipe line system, described as the "Northern Ontario Section", from the Manitoba-Ontario border to a point at or near the Town of Kapuskasing, Ontario and to lease the Northern Ontario Section to Trans-Canada for a period of 25 years. The agreement also provides that Trans-Canada shall purchase the Northern Ontario Section of the pipe line system from the Crown Corporation as soon as it can arrange the necessary finances.

The rent payable by Trans-Canada under the lease would be as set forth in the second paragraph including sub-paragraphs (a) and (b) under the heading "Northern Ontario Section" of the Prospectus in which these financial statements are embodied. The provisions as to the price at which Trans-Canada would purchase the Northern Ontario Section are as summarized in the third paragraph under the heading "Northern Ontario Section" of the said Prospectus.

On June 8, 1956 Trans-Canada commenced construction of the pipe line system.

The estimated cost of construction of the entire pipe line system to completion at its Eastern terminus near Montreal, Quebec, excluding the Northern Ontario Section to be constructed by Crown Corporation, is \$228,100,000 (exclusive of any allowance for contingencies). As at December 31, 1956 \$55,311,369.51 had been expended on the Main line and commitments had been made for expenditures on pipe and other requirements aggregating approximately \$122,000,000, including \$35,000,000 in respect of the Northern Ontario Section.

Trans-Canada has entered into lease and sublease agreements for office premises in Calgary, Toronto and Winnipeg for periods up to four years, from December 31, 1956.

Trans-Canada has entered into agreements whereby if certain certificates, licenses and permits are obtained from the United States and Canadian Governments, it undertakes to enter into a contract for the transportation of natural gas through the Niagara Section which is leased to others. Under the terms of this transportation contract Trans-Canada would pay a charge of \$250,000 a year for three years commencing November 1, 1957 providing that should no deliveries be made during the first contract year the charge shall be \$75,000. Such contract could be terminated by Trans-Canada effective any time after November 1, 1958 upon 90 days notice. In the event of termination the rental shall be as follows:

If terminated effective prior to January 1 the charge shall be an amount that bears the same proportion to \$250,000.00 as the portion of the contract year elapsed bears to a full year.

If terminated effective on or after January 1 the charge shall be \$250,000.00.

Trans-Canada has signed a large number of long term contracts for the purchase of gas in Alberta as set forth under "Gas Supply" in this Prospectus.

TRANS-CANADA PIPE LINES LIMITED  
AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements—(Continued)

8. Dividend Restrictions:

Upon completion of the present financing the payment of dividends will be restricted as set forth in this Prospectus under "Description of Subordinated Debentures" and "Certain Provisions of the Mortgage".

9. New Financing:

The capitalization of the Company will be affected by the new financing program as follows:

(a) The Company intends to enter into Bond Purchase Agreements with a group of institutional investors for the sale of \$104,000,000 principal amount of its First Mortgage Pipe Line Bonds. In addition, the Company proposes to borrow an aggregate of \$20,000,000 from three United States banks which loans are to be secured by \$20,000,000 principal amount of the First Mortgage Pipe Line Bonds of the Company. The proceeds from the sale of the Bonds and from the bank loans will be available to the Company, following the sale of the Units referred to in (b) below, in accordance with the provisions of the Bond Purchase Agreements and the Deed of Trust and Mortgage as the Company's construction program progresses during 1957 and 1958.

(b) Following the issue and sale of the Units offered by this Prospectus, the Company will have outstanding Subordinated Debentures, due 1987, in an aggregate principal amount of \$75,000,000 and the outstanding capital stock of the Company will be increased by 3,750,000 Common Shares plus the subscription of 40,000 shares and the issuance of 105,000 shares upon exercise of the options referred to in Note 3, making a total of 5,823,184 Common Shares with a par value of \$1 per share, outstanding. Of the amount received by the Company from the sale of each Common Share, \$1 will be credited to the Common Share Capital Account and the balance of \$9 of the contemplated issue price of \$10, will be credited to the "Premium on Issue of Common Shares" account.

(c) The net proceeds from the sale of Units will be used in part (1) to redeem without premium the presently outstanding 5% First Mortgage Bonds of the Company, which since December 31, 1956 have been increased to \$49,750,000, and (2) to advance \$5,350,000 to Western Pipe Lines, a wholly owned subsidiary of the Company, which amount will be used by that company to redeem its outstanding 4¾% Sinking Fund Debentures.

In this connection reference is made to the information set forth in the Prospectus under the headings "Bond Purchase Agreements", "Certain Provisions of the Mortgage", "Bank Credit Agreement", "Financing Program and Proposed Capitalization" and "Application of Proceeds".

## UNDERWRITING

### Canadian Underwriters

The names and addresses of the principal Canadian underwriters (herein called the "Canadian Underwriters") who severally have agreed to purchase, subject to the terms and conditions specified in the Canadian Underwriting Agreement, filed as an exhibit to the Registration Statement, the number of Canadian Units set forth opposite their respective names, are set forth below. The Canadian Underwriters are required to purchase all of the Canadian Units if any of the Canadian Units are purchased by them.

<u>Name</u>	<u>Address</u>	<u>No. of Canadian Units</u>
Nesbitt, Thomson and Company, Limited.	355 St. James St., W. Montreal, Canada	162,500
Wood, Gundy and Company Limited	36 King Street, W. Toronto, Canada	162,500
McLeod, Young, Weir & Company Limited	50 King Street, W. Toronto, Canada	162,500
Osler, Hammond & Nanton Limited	Nanton Bldg., Winnipeg, Canada	54,167
Total .....		541,667

### United States Underwriters

The names and addresses of the principal United States underwriters (herein called the "United States Underwriters") who severally have agreed to purchase, subject to the terms and conditions specified in the United States Underwriting Agreement, filed as an exhibit to the Registration Statement, the number of United States Units set opposite their respective names, are set forth below. The United States Underwriters are required to purchase all of the United States Units if any of the United States Units are purchased by them.

<u>Name</u>	<u>Address</u>	<u>No. of United States Units</u>
Lehman Brothers	One William Street, New York 4, N. Y.	24,779
Stone & Webster Securities Corporation	90 Broad Street, New York 4, N. Y.	24,777
White, Weld & Co.	40 Wall Street, New York 5, N. Y.	24,777
Allen & Co.	30 Broad Street, New York 4, N. Y.	2,000
American Securities Corporation	25 Broad Street, New York 4, N. Y.	2,000
Bache & Co.	36 Wall Street, New York 5, N. Y.	1,000
Bacon, Whipple & Co.	135 South La Salle Street, Chicago 3, Ill.	500
Robert W. Baird & Co., Incorporated	110 East Wisconsin Avenue, Milwaukee 2, Wisc.	500
Ball, Burge & Kraus	1790 Union Commerce Building, Cleveland 14, Ohio	500
J. Barth & Co.	404 Montgomery Street, San Francisco 4, Calif.	500
Bateman, Eichler & Co.	453 South Spring Street, Los Angeles 13, Calif.	500
Bear, Stearns & Co.	1 Wall Street, New York 5, N. Y.	2,000
A. G. Becker & Co. Incorporated	120 South La Salle Street, Chicago 3, Ill.	2,000
Bingham, Walter & Hurry, Inc.	621 South Spring Street, Los Angeles 14, Calif.	300
Blair & Co. Incorporated	44 Wall Street, New York 5, N. Y.	500
Blyth & Co., Inc.	14 Wall Street, New York 5, N. Y.	4,000
Boettcher and Company	828 Seventeenth Street, Denver 2, Colo.	500
Bosworth, Sullivan & Company, Inc.	660 Seventeenth Street, Denver 2, Colo.	500
J. C. Bradford & Co.	418 Union Street, Nashville 3, Tenn.	500
Alex. Brown & Sons	135 East Baltimore Street, Baltimore 2, Md.	1,000
Brown, Lisle & Marshall	201 Turks Head Building, Providence 3, R. I.	300
Burnham and Company	15 Broad Street, New York 5, N. Y.	300
Butcher & Sherrerd	1500 Walnut Street, Philadelphia 2, Pa.	2,000
Central Republic Company (Incorporated)	209 South La Salle Street, Chicago 90, Ill.	1,000
Clark, Dodge & Co.	61 Wall Street, New York 5, N. Y.	2,000
Richard W. Clarke Corporation	527 Fifth Avenue, New York 17, N. Y.	300
Crowell, Weedon & Co.	650 South Spring Street, Los Angeles 14, Calif.	300
J. M. Dain & Company, Incorporated	110 South Sixth Street, Minneapolis 2, Minn.	300
Davis, Skaggs & Co.	111 Sutter Street, San Francisco 4, Calif.	300
Dewar, Robertson & Pancoast	614 National Bank of Commerce Building, San Antonio 5, Texas	300
Dominick & Dominick	14 Wall Street, New York 5, N. Y.	2,000
Drexel & Co.	1500 Walnut Street, Philadelphia 1, Pa.	2,000
Eastman Dillon, Union Securities & Co.	15 Broad Street, New York 5, N. Y.	4,000
Elworthy & Co.	111 Sutter Street, San Francisco 4, Calif.	300
Emanuel, Deetjen & Co.	120 Broadway, New York 5, N. Y.	300
Equitable Securities Corporation	Two Wall Street, New York 5, N. Y.	2,000
Estabrook & Co.	15 State Street, Boston 9, Mass.	1,000
The First Boston Corporation	100 Broadway, New York 5, N. Y.	4,000

Name	Address	No. of United States Units
First Southwest Company	Mercantile Bank Building, Dallas 1, Texas	500
Fridley, Hess & Frederking	617 Texas National Bank Building, Houston 2, Texas	300
Fulton Reid & Co., Inc.	1186 Union Commerce Building, Cleveland 14, Ohio	500
Glore, Forgan & Co.	40 Wall Street, New York 5, N. Y.	4,000
Goldman, Sachs & Co.	30 Pine Street, New York 5, N. Y.	4,000
W. D. Gradison & Co.	408 Dixie Terminal Building, Cincinnati 2, Ohio	300
Granbery, Marache & Co.	67 Wall Street, New York 5, N. Y.	300
Halle & Stieglitz	52 Wall Street, New York 5, N. Y.	300
Hallgarten & Co.	44 Wall Street, New York 5, N. Y.	2,000
Harriman Ripley & Co., Incorporated	63 Wall Street, New York 5, N. Y.	4,000
Hayden, Miller & Co.	Union Commerce Building, Cleveland 14, Ohio	500
Hayden, Stone & Co.	25 Broad Street, New York 4, N. Y.	1,000
Hemphill, Noyes & Co.	15 Broad Street, New York 5, N. Y.	2,000
J. J. B. Hilliard & Son	419 West Jefferson Street, Louisville 2, Ky.	300
J. A. Hogle & Co.	132 South Main Street, Salt Lake City 1, Utah	300
Hooker & Fay	221 Montgomery Street, San Francisco 4, Calif.	300
Hornblower & Weeks	40 Wall Street, New York 5, N. Y.	2,000
Howard, Weil, Labouisse, Friedrichs and Company	222 Carondelet Street, New Orleans 12, La.	300
E. F. Hutton & Company	61 Broadway, New York 6, N. Y.	1,000
W. E. Hutton & Co.	14 Wall Street, New York 5, N. Y.	2,000
Indianapolis Bond and Share Corporation	120 East Market Street, Indianapolis 4, Ind.	300
Ingalls & Snyder	100 Broadway, New York 5, N. Y.	300
Johnston, Lemon & Co.	Southern Building, Washington 5, D. C.	500
Joseph, Mellen & Miller, Inc.	1170 Union Commerce Building, Cleveland 14, Ohio	300
Kalman & Company, Inc.	136 Endicott Building, St. Paul 1, Minn.	300
Kay, Richards & Co.	Union Trust Building, Pittsburgh 19, Pa.	300
A. M. Kidder & Co., Inc.	One Wall Street, New York 5, N. Y.	500
Kidder, Peabody & Co.	17 Wall Street, New York 5, N. Y.	4,000
Kormendi & Co., Inc.	70 Pine Street, New York 5, N. Y.	300
Ladenburg, Thalmann & Co.	25 Broad Street, New York 4, N. Y.	1,000
Laird, Bissell & Meeds	120 Broadway, New York 5, N. Y.	300
W. C. Langley & Co.	115 Broadway, New York 6, N. Y.	1,000
Lazard Freres & Co.	44 Wall Street, New York 5, N. Y.	4,000
Lee Higginson Corporation	40 Wall Street, New York 5, N. Y.	2,000
Lester, Ryons & Co.	623 South Hope Street, Los Angeles 17, Calif.	300
Carl M. Loeb, Rhoades & Co.	42 Wall Street, New York 5, N. Y.	2,000
Irving Lundborg & Co.	310 Sansome Street, San Francisco 4, Calif.	300
Manley, Bennett & Co.	1100 Buhl Building, Detroit 26, Mich.	300
Laurence M. Marks & Co.	48 Wall Street, New York 5, N. Y.	1,000
Mason-Hagan, Inc.	1110 East Main Street, Richmond, Va.	500
A. E. Masten & Co.	First National Bank Building, Pittsburgh 22, Pa.	300
Merrill Lynch, Pierce, Fenner & Beane	70 Pine Street, New York 5, N. Y.	4,000
Merrill, Turben & Co., Inc.	Union Commerce Building, Cleveland 14, Ohio	500
The Milwaukee Company	207 East Michigan Street, Milwaukee 2, Wisc.	500
Mitchum, Jones & Templeton	650 South Spring Street, Los Angeles 14, Calif.	300
Moore, Leonard & Lynch	1003 Union Trust Building, Pittsburgh 19, Pa.	300
Moreland, Brandenberger, Johnston & Currie	604 Bank of the Southwest Building, Houston 2, Texas	300
F. S. Moseley & Co.	14 Wall Street, New York 5, N. Y.	2,000
Newhard, Cook & Co.	400 Olive Street, St. Louis 2, Mo.	500
The Ohio Company	51 North High Street, Columbus 15, Ohio	500
Pacific Northwest Company	402 Exchange Building, Seattle 4, Wash.	500
Paine, Webber, Jackson & Curtis	25 Broad Street, New York 4, N. Y.	2,000
Piper, Jaffray & Hopwood	115 South Seventh Street, Minneapolis 2, Minn.	500
R. W. Pressprich & Co.	48 Wall Street, New York 5, N. Y.	1,000
Rauscher, Pierce & Co., Inc.	2700 Mercantile Bank Building, Dallas 1, Texas	500
Reinholdt & Gardner	400 Locust Street, St. Louis 2, Mo.	500
Reynolds & Co.	120 Broadway, New York 5, N. Y.	2,000
Riter & Co.	40 Wall Street, New York 5, N. Y.	500
The Robinson-Humphrey Company, Inc.	2000 Rhodes-Haverty Building, Atlanta 3, Ga.	300
Wm. C. Roney & Company	2 Buhl Building, Detroit 26, Mich.	300
Rotan, Mosle & Co.	1510 Bank of the Southwest Building, Houston 2, Texas	500
L. F. Rothschild & Co.	120 Broadway, New York 5, N. Y.	1,000
Salomon Bros. & Hutzler	60 Wall Street, New York 5, N. Y.	2,000

<u>Name</u>	<u>Address</u>	<u>No. of United States Units</u>
Scherck, Richter Company	320 North 4th Street, St. Louis 2, Mo.	300
Schmidt, Poole, Roberts & Parke	123 South Broad Street, Philadelphia 9, Pa.	300
Schwabacher & Co.	100 Montgomery Street, San Francisco 4, Calif.	500
Shearson, Hammill & Co.	14 Wall Street, New York 5, N. Y.	1,000
Shields & Company	44 Wall Street, New York 5, N. Y.	2,000
Shuman, Agnew & Co.	155 Sansome Street, San Francisco 4, Calif.	500
Silberberg & Co.	40 Wall Street, New York 5, N. Y.	300
I. M. Simon & Co.	315 North Fourth Street, St. Louis 2, Mo.	300
Singer, Deane & Scribner	1045 Union Trust Building, Pittsburgh 19, Pa.	300
Smith, Barney & Co.	14 Wall Street, New York 5, N. Y.	4,000
F. S. Smithers & Co.	One Wall Street, New York 5, N. Y.	2,000
William R. Staats & Co.	640 South Spring Street, Los Angeles 14, Calif.	500
Stein Bros. & Boyce	6 South Calvert Street, Baltimore 2, Md.	500
Stern, Frank, Meyer & Fox	Union Bank Building, Los Angeles 14, Calif.	300
Stubbs, Smith & Lombardo, Inc.	First National Building, Birmingham 3, Ala.	300
Sutro & Co.	460 Montgomery Street, San Francisco 4, Calif.	300
Spencer Trask & Co.	25 Broad Street, New York 4, N. Y.	1,000
Tucker, Anthony & R. L. Day	120 Broadway, New York 5, N. Y.	1,000
Underwood, Neuhaus & Co. Incorporated	724 Travis at Rusk, Houston 2, Texas	500
Van Alstyne, Noel & Co.	52 Wall Street, New York 5, N. Y.	500
Vietor, Common, Dann & Co.	Ellicott Square Building, Buffalo 3, N. Y.	300
G. H. Walker & Co.	One Wall Street, New York 5, N. Y.	2,000
Walston & Co., Inc.	120 Broadway, New York 5, N. Y.	500
Watling, Lerchen & Co.	Ford Building, Detroit 26, Mich.	500
Wertheim & Co.	120 Broadway, New York 5, N. Y.	2,000
Winslow, Cohu & Stetson	26 Broadway, New York 4, N. Y.	300
Dean Witter & Co.	45 Montgomery Street, San Francisco 6, Calif.	4,000
Harold E. Wood & Company	First National Bank Building, Saint Paul 1, Minn.	300
Total .....		208,333

The Managing Underwriters are Nesbitt, Thomson and Company, Limited, Wood, Gundy & Company Limited, McLeod, Young, Weir & Company Limited, Osler, Hammond & Nanton Limited, Lehman Brothers, Stone & Webster Securities Corporation and White, Weld & Co.

Certain of the Underwriters have interests in the common shares of the Company, as follows:

Nesbitt, Thomson and Company, Limited and associated interests .....	95,631
Wood, Gundy & Company, Limited .....	95,631
Osler, Hammond & Nanton Limited .....	50,581

Included in such shares are certain of the shares held of record by Montreal Trust Company, subject to the option referred to under the heading "Management and Control".

Reference is made to Note 6 to the capitalization table under the heading "Financing Program and Proposed Capitalization" with respect to the interest of White, Weld & Co. and of Mr. Francis Kernan, a Limited Partner in said firm, in common shares of the Company.

Reference is made to the information included herein under the heading "Management and Control" with respect to the relationship of certain directors to certain of the Underwriters of the Units and to "Note Purchase Agreement with Shareholders" with respect to the obligations of certain of the Underwriters to purchase Notes pursuant to the provisions of the Note Purchase Agreement.

The Canadian Underwriters and the United States Underwriters have agreed, severally and not jointly, subject to the terms and conditions specified in the respective Underwriting Agreements, to purchase the number of Canadian Units and United States Units set opposite their respective names above at the prices set forth on the cover page hereof. Payments for the Units so purchased shall be made to the Company or its order on the delivery date determined as provided in the respective Underwriting Agreements.

The respective Underwriting Agreements provide in substance that the obligations of the Underwriters to purchase the Units are subject, among other things, to the Company having entered into the Bond Purchase Agreements, Bank Credit Agreement and Note Purchase Agreement with shareholders referred to in this Prospectus and to the approval of legal matters by their counsel Messrs. Borden, Elliot, Kelley, Palmer & Sankey and Messrs. Shearman & Sterling & Wright. The Canadian Underwriters and the Representatives of the United States Underwriters have the right in their absolute discretion to terminate the obligations of the several Underwriters under the respective Underwriting Agreements by giving notice of such termination to the Company prior to the date of delivery if (i) trading in securities on the New York or Toronto Stock Exchanges shall have been suspended or minimum prices shall have been established on either of such Exchanges, or if a banking moratorium shall have been declared either by United States Federal, Canadian Federal or New York State authorities, or (ii) a war or other international or national calamity directly or indirectly involving the United States or Canada shall have occurred, or (iii) there shall have been a material adverse change in market conditions.

The representatives of the United States Underwriters have advised the Company that the several United States Underwriters propose initially to offer the United States Units in part to the public at the public offering price set forth on the cover page of this Prospectus and in part to certain dealers at such price less a concession of not in excess of \$3.75 per United States Unit. Underwriters and dealers may realow a concession of not in excess of 50 cents per United States Unit to other dealers. After the initial public offering, such offering price, concession and realow-ance may be varied by reason of changes in market conditions.

### LEGAL OPINIONS

Legal matters in connection with the issuance of the Debentures and Common Shares will be passed upon for the Company by Messrs. Milner, Steer, Dyde, Martland & Layton—Milner, Steer, Martland & McNeill, Royal Bank of Canada Chambers, Edmonton, Alberta and Messrs. Cahill, Gordon, Reindel & Ohl, 63 Wall Street, New York, New York and for the Underwriters by Messrs. Borden, Elliot, Kelley, Palmer & Sankey, 25 King Street, West, Toronto, Ontario and Messrs. Shearman & Sterling & Wright, 20 Exchange Place, New York, New York, except that all matters of Canadian law will be passed upon only by Messrs. Milner, Steer, Dyde, Martland & Layton—Milner, Steer, Martland & McNeill and Messrs. Borden, Elliot, Kelley, Palmer & Sankey and except that all matters of United States law will be passed upon only by Messrs. Cahill, Gordon, Reindel & Ohl and Messrs. Shearman & Sterling & Wright. Messrs. Borden, Elliot, Kelley, Palmer & Sankey are also acting as Canadian counsel for the Company in connection with the Bank Loan and the issuance and sale of the Bonds.

### EXPERTS

The financial statements in this Prospectus and in the Registration Statement have been examined by Messrs. Peat, Marwick, Mitchell & Co., chartered accountants, as set forth in their report, which appears herein and are set forth on the authority of said firm as experts in giving such report.

The statements as to matters of Canadian law and Canadian legal conclusions under the headings "Northern Ontario Section", "Regulation", "Offering of Units", and "Description of Common Shares", under the subheading "Gas Sales Contracts" under the heading "Gas Sales", and under the subheadings "Gas Purchase Contracts" and "The Alberta Gas Gathering System" under the heading "Gas Supply", have been reviewed by Messrs. Milner, Steer, Dyde, Martland & Layton—Milner, Steer, Martland & McNeill and are stated upon the authority of such counsel.

The report on gas reserves in this Prospectus which was prepared by DeGolyer and MacNaughton, independent geologists, is set forth on the authority of said firm as experts.

## STATUTORY INFORMATION

The following information is furnished in accordance with the provisions of the Companies Act (Canada), The Securities Act, 1955 (Alberta), The Securities Act (Ontario), The Securities Act (Saskatchewan), The Security Frauds Prevention Act (New Brunswick), The Securities Act (Nova Scotia) and the Quebec Securities Act.

(a) The full name of the Company is TRANS-CANADA PIPE LINES LIMITED (hereinafter called "the Company") and the address of its head office is 326 9th Avenue West, Calgary, Alberta. Executive offices of the Company are also located at 160 Bloor Street East, Toronto, Ontario.

The Company was incorporated by Special Act of the Parliament of Canada, 15 George VI, Chapter 92, which was assented to and came into effect on March 21, 1951. The said Special Act of Incorporation was subsequently amended by Special Act of the Parliament of Canada 2-3 Elizabeth II, Chapter 80, which was assented to and came into effect on March 27, 1954. The liability of the shareholders is limited to the amount unpaid on their shares.

(b) The names, descriptions and addresses of the directors, officers and auditors of the Company and the names and addresses of its Registrars and Transfer Agents are as follows:

### DIRECTORS

Hon. Edouard Asselin, Q.C.	Barrister	61 de Vimy, Montreal, Quebec
Thomas Howard Atkinson	Executive	209 Edgehill Road, Westmount, Montreal, Quebec
Edward William Bickle	Executive	42 Rosedale Road, Toronto, Ontario
Ruby Clifford Brown	Executive	2920 Carleton Street, Calgary, Alberta
Charles Shelton Coates	Executive	31 Bayview Wood, Toronto, Ontario
John Randolph Fell	Investment Banker	Brookville Road, Jericho, Long Island, N. Y.
Edward Dean Loughney	Executive	91 Riverview Drive, Toronto, Ontario
Murdoch Alexander MacPherson, Q.C.	Barrister	202 Balfour Apartments, Regina, Saskatchewan
John Kellog McCausland	Investment Dealer	18 Oriole Gardens, Toronto, Ontario
Horatio Ray Milner, Q.C.	Executive	Savoy-Plaza, 11025 Jasper Avenue, Edmonton, Alberta
Clinton Williams Murchison	Executive	5307 E. Mockingbird Lane, Dallas, Texas
Arthur Deane Nesbitt	Investment Dealer	3269 Cedar Avenue, Montreal, Quebec
Gordon Peter Osler	Investment Dealer	460 Wellington Crescent, Winnipeg, Manitoba
Frank August Schultz	Executive	4644 Park Lane, Dallas, Texas
Henry Gardiner Symonds	Executive	3359 Chevy Chase, Houston, Texas
Nathan Eldon Tanner	Executive	1210-39th Avenue West, Calgary, Alberta
Jules Robert Timmins	Executive	14 Sunnyside Avenue, Westmount, Quebec
John Ross Tolmie, Q.C.	Barrister	597 Mariposa, Rockliffe Ottawa, Ontario

## OFFICERS

Nathan Eldon Tanner	President	1210-39th Avenue West, Calgary, Alberta
Charles Shelton Coates	Executive Vice-President and General Manager	31 Bayview Wood, Toronto, Ontario
Horatio Ray Milner, Q.C.	Vice-President	Savoy-Plaza, 11025 Jasper Avenue, Edmonton, Alberta
Frank August Schultz	Vice-President	4644 Park Lane, Dallas, Texas
Albert Perrine Craig	Vice-President	7 York Ridge Road, Willowdale, Ontario
Robert Charles Berry, C.A.	Treasurer	277 Oriole Parkway Toronto, Ontario
Noel John McNeill, Q.C.	Secretary	3002 10th Street West Calgary, Alberta
Douglas Gordon Simpson, C.A.	Assistant Treasurer	1954 12th Street West Calgary, Alberta
James Christopher Saks	Assistant Secretary	4524 26th Avenue West Calgary, Alberta
Arthur Graham Austin, C.A.	Assistant Secretary	36 Delhi Avenue Toronto, Ontario
Harold Dix Fowler	Assistant Secretary	887 Avenue Road Toronto, Ontario
Bernard Edmiston Lowe	Assistant Secretary	2 Rothsay Crescent, Toronto, Ontario

## AUDITORS

Peat, Marwick, Mitchell & Co., Chartered Accountants, 80 Richmond Street West, Toronto, Ontario, and Canadian Bank of Commerce Building, Calgary, Alberta.

## REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company at its offices in the cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver is the Transfer Agent and National Trust Company, Limited at its office in the City of Toronto is the Registrar for the common shares in the capital stock of the Company in Canada, and The First National City Bank of New York at its office in the City of New York is the Transfer Agent and Bankers Trust Company at its office in the City of New York is the Registrar for the common shares in the capital stock of the Company in the United States.

National Trust Company, Limited, Toronto, Ontario, will be the Trustee for the holders of the First Mortgage Pipe Line Bonds, 5½% Series due October 1, 1978 (hereinafter sometimes referred to as the "Bonds of the 1978 Canadian Series") and the First Mortgage Pipe Line Bonds, 5¾% Series due October 1, 1978 (hereinafter sometimes referred to as the "Bonds of the 1978 United States Series") proposed to be issued by the Company and registers upon which coupon Bonds of both of said series may be registered as to principal and upon which fully registered Bonds of both of said series shall be registered as to principal and interest and upon which transfers of Bonds so registered will be made, will be kept with respect to Bonds of the 1978 Canadian Series by the said Trustee at its offices in the Cities of Toronto, Ontario, and Montreal, Quebec, and with respect to Bonds of the 1978 United States Series by J. P. Morgan & Co. Incorporated at its principal office in the City of New York, N. Y.

Montreal Trust Company will be the Trustee for the holders of the Subordinated Debentures due 1987 (hereinafter sometimes referred to as the "Debentures") consisting of 5.85% Subordinated Debentures due 1987, Canadian Series (hereinafter sometimes referred to as the "Canadian Series Debentures") and 5.60% Subordinated Debentures due 1987, United States Series (hereinafter sometimes referred to as the "United States Series Debentures") proposed to be issued by the Company and sufficient facilities by which coupon Debentures of both of said series may be registered as to principal and by which fully registered Debentures shall be registered as to principal and

interest and for transfers of Debentures so registered, will be kept by the said Trustee at its offices in the Cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver, and by The First National City Bank of New York at its principal office in the City of New York, N. Y.

(c) The Company has commenced construction of and proposes to complete and operate a natural gas pipe line system (herein referred to as the "Pipe Line System") for the transportation of natural gas produced in the Province of Alberta to markets in the Provinces of Saskatchewan, Manitoba, Ontario and Quebec. A section of the proposed pipe line, extending from the Manitoba-Ontario border to the vicinity of Kapuskasing, Ontario, a distance of approximately 675 miles, (hereinafter referred to as the "Northern Ontario Section") will be constructed at the cost of and will be owned by Northern Ontario Pipe Line Crown Corporation (hereinafter referred to as the "Crown Corporation") which is for all purposes an agent of Her Majesty the Queen in right of Canada, and will be leased by the Crown Corporation to the Company for a period of 25 years. By agreement it is provided that the Company shall purchase the Northern Ontario Section as soon as the Company can arrange the necessary financing. Such purchase may be made by the Company at any time during the term of the lease, upon 3 months notice, at a price equal to the total capital cost of such section as of the date of sale, minus all rental payments made under the lease which are in excess of the amount necessary to give the Crown Corporation an annual return of  $3\frac{1}{2}\%$ , from the date of completion of such section, on the amount invested by it in such section, provided that the purchase price shall not in any event be less than the amortized capital cost of such section (amortized at  $3\frac{1}{2}\%$  per annum plus interest at the rate of  $3\frac{1}{2}\%$  compounded annually) or 70% of the cost of such section, whichever is higher.

A wholly-owned subsidiary of the Company, Western Pipe Lines, owns a 20 inch natural gas pipe line, approximately 76 miles in length, extending from a point on the International boundary in the Niagara River to a point in the environs of the City of Toronto, Ontario, where the said pipe line connects with the distribution system of The Consumers' Gas Company of Toronto. The said pipe line (hereinafter sometimes referred to as the "Niagara Section") has been leased to and is operated by Niagara Gas Transmission Limited for the transportation of natural gas which is sold by Niagara Gas Transmission Limited to The Consumers' Gas Company of Toronto and other customers along the route of the said pipe line. Under the terms of the lease to Niagara Gas Transmission Limited the latter is granted an option to purchase the said pipe line if Alberta gas shall not have been made available prior to September 1, 1959 to The Consumers' Gas Company of Toronto and to other customers of Niagara Gas Transmission Limited in sufficient quantities to meet their requirements.

The facilities which the Company presently proposes to construct are referred to herein as the "Initial Pipe Line System" which term excludes the Northern Ontario Section and the Niagara Section. The cost of the Initial Pipe Line System will be approximately \$228,100,000 divided approximately as follows:

<u>Description</u>	
Land and land rights .....	\$ 2,374,000
Pipe .....	97,809,000
Other pipe line materials .....	10,460,000
Pipe line installation and testing .....	68,395,000
Compressor Station labour and materials .....	10,295,000
Housing equity .....	318,000
Other facilities and communications .....	6,514,000
Canadian sales tax and 40% Import duties .....	15,803,000
Engineering and supervision .....	10,482,000
Materials and Supplies and Gas to Pack line .....	4,550,000
Free cash working capital .....	1,100,000
	<u>\$228,100,000</u>

(d) The authorized share capital of the Company consists of 1,000,000 preferred shares of the par value of \$50.00 per share and of 10,000,000 common shares of the par value of \$1.00 per share, of which 2,033,184 common shares have been issued and are now outstanding and are fully paid. As stated herein, the Company intends to issue and sell 3,750,000 additional common shares.

There are no voting rights, preferences, conversion or exchange rights, rights to dividends, profits or capital attaching to the preferred shares but reference is made to the Special Act amending the Special Act of Incorporation of the Company an extract from which is as follows:

"(2) The Company may by by-law

"(a) provide for the creation of classes of preferred shares with such preferences, privileges or other special rights, restrictions, conditions or limitations whether with regard to dividends, capital or otherwise as in the by-law may be declared,

"(b) subdivide, consolidate into shares of larger par value or re-classify any of the unissued preferred shares and may amend, vary, alter or change any of the preferences, privileges, rights, restrictions, conditions or limitations attached to the unissued preferred shares:

"Provided that no such by-law shall be valid or acted upon until it has been sanctioned by at least two-thirds of the votes cast at a special general meeting of the common shareholders of the Company duly called for considering the same nor until such by-law has been approved by the Board of Transport Commissioners for Canada.

"(3) The Directors may by resolution prescribe within the limits set forth in any by-law passed under subsection (2) the terms of issue and the precise preferences, privileges, rights, restrictions, conditions or limitations whether with regard to dividends, capital or otherwise, of any class of preferred shares.

"(4) Holders of any class of preferred shares shall not have any voting rights, other than those provided by by-law passed under subsection (2), nor shall they be entitled to receive any notice of or attend any meeting of the common shareholders of the Company except the right to attend and vote at general meetings on any question directly affecting any of the rights or privileges attached to such class of preferred shares, and then there shall be one vote per share, but no change adversely affecting the rights or privileges of any class of preferred shares shall be made unless sanctioned by at least two-thirds of the votes cast at a special general meeting of the holders of such class of issued and outstanding preferred shares duly called for considering the same, and until the same has been approved by the Board of Transport Commissioners for Canada.

"(5) Ownership of preferred shares shall not qualify any person to be a director of the Company."

Each common share in the capital stock of the Company is equal to every other common share and all common shares participate equally on liquidation or distribution of assets and enjoy full voting rights of one vote per common share at all times.

(e) The Company has granted to N. E. Tanner, the President of the Company, an option exercisable on or before March 8, 1959, to purchase 60,000 common shares of the Company at the price of \$8.00 per share (exercised as to 55,000 common shares in February, 1957), to C. S. Coates, the executive Vice President and General Manager of the Company, an option exercisable on or before July 31, 1959, to purchase 50,000 common shares of the Company at the price of \$8.00 per share or the fair market value of said shares at the date the option is exercised whichever is the lesser (which option was exercised in full in February, 1957) to T. H. Atkinson, a director of the Company, an option exercisable on or before July 11, 1958 to purchase 12,500 common shares of the Company at the price of \$8.00 per share, to R. J. Wallace, the former Gas Supply Manager of the Company, an option exercisable on or before August 31, 1957 (or an earlier date in the event of release of certain escrowed stock) to purchase 5,000 common shares of the Company at the price of \$8.00 per share, and to A. P. Craig, a Vice President of the Company, an option exercisable on or before February 11, 1959 to purchase 7,500 common shares of the Company at the price of \$10.00 per share. In addition 42,500 common shares of the

Company have been set aside for the purpose of granting options from time to time to key officials and employees of the Company at a price of \$10.00 per share or at such higher price as may be fixed from time to time by the Board of Directors of the Company. As of the date of this prospectus no options have been granted with respect to these shares. On May 28, 1956 Francis Kernan, a limited partner in White, Weld & Co., subscribed for 40,000 common shares of the Company at a price of \$8 per share. Such subscription provided that the common shares covered thereby would be issued against payment contemporaneously with the initial financing of the Company's pipe line system. The right to receive 20,000 of the common shares covered by the said subscription was subsequently assigned by Mr. Kernan to White, Weld & Co., one of the representatives of the United States Underwriters.

(f) The Company has outstanding \$49,750,000 principal amount of 5% First Mortgage Bonds dated as of the respective dates of issue thereof and maturing April 2, 1957 which bonds were issued from time to time pursuant to an indenture of mortgage dated June 7, 1956 and made between the Company and the Crown Corporation.

The Company intends to issue the following securities:

(1) Two series of First Mortgage Pipe Line Bonds consisting of Can. \$23,010,000 aggregate principal amount of First Mortgage Pipe Line Bonds, 5½% Series due October 1, 1978 and U. S. \$100,990,000 aggregate principal amount of First Mortgage Pipe Line Bonds, 5¼% Series due October 1, 1978. The interest on, and the principal of, the Bonds of the 1978 Canadian Series will be payable in Canadian funds, and the interest on, and the principal of, the Bonds of the 1978 United States Series will be payable in United States funds. The Bonds of the 1978 Canadian Series and \$80,990,000 aggregate principal amount of Bonds of the 1978 United States Series will be sold privately and \$20,000,000 aggregate principal amount of Bonds of the 1978 United States Series will be pledged with the lending banks under the Bank Credit Agreement hereinafter referred to;

(2) \$75,000,000 aggregate principal amount of Subordinated Debentures due 1987 and 3,750,000 common shares of the Company. The Debentures will consist of \$54,166,700 aggregate principal amount of 5.85% Subordinated Debentures due 1987, Canadian Series and \$20,833,300 aggregate principal amount of 5.60% Subordinated Debentures due 1987, United States Series. The interest on, and the principal of, the Canadian Series Debentures will be payable in Canadian funds, and the interest on, and principal of, the United States Series Debentures will be payable in United States funds. The Debentures and the common shares will be offered in Canadian Units and in United States Units; each Canadian Unit will consist of \$100 principal amount of Canadian Series Debentures and five common shares and each United States Unit will consist of \$100 principal amount of United States Series Debentures and five common shares. All of such common shares will be deposited pursuant to the terms of the Deposit Agreement hereinafter referred to.

The Company will also issue promissory notes in the aggregate principal amount of \$20,000,000 (U. S. funds) bearing interest at the rate of 5¼% per annum and maturing March 1, 1962 evidencing loans made under the Bank Credit Agreement hereinafter referred to.

The Company may also issue up to \$21,000,000 principal amount of 5½% Subordinated Convertible Income Notes due 1987 pursuant to the Note Purchase Agreement hereinafter referred to.

#### **First Mortgage Pipe Line Bonds**

The First Mortgage Pipe Line Bonds, 5½% Series due October 1, 1978 and the First Mortgage Pipe Line Bonds, 5¼% Series due October 1, 1978 referred to above (herein sometimes collectively referred to as the "Bonds") will be issued under a Deed of Trust and Mortgage (herein referred to as the "Mortgage") to be dated as of January 1, 1957 and to be made between the Company and National Trust Company, Limited, as Trustee (hereinafter sometimes referred to as the "Bond Trustee") and the Mortgage in the opinion of Counsel will constitute

(1) a first fixed and specific mortgage pledge and charge, subject to certain exceptions as will be specified in the Mortgage, upon (i) all real and immovable property and rights, including fixed plant, fixed machinery and fixed equipment, owned by the Company at a date not more than 50 days prior to the date of execution of the Mortgage, (ii) all of the Class A common shares of The Alberta Gas Trunk Line Company, Limited (hereinafter sometimes

referred to as "Alberta Trunk Line") owned by the Company and all of the outstanding shares of the capital stock of the Company's wholly-owned subsidiary, Western Pipe Lines, (iii) the Company's interest in the Northern Ontario Section Contract, the Alberta Trunk Line Contract and the Agreement to Lease, as referred to and identified in subdivisions (2), (16) and (17) of clause (p) of this Statutory Information, and (iv) the Company's interest in substantially all gas purchase and gas sales contracts of the Company entered into prior to the date of execution of the Mortgage; and

(2) a first floating charge upon the undertaking of the Company and all its property and assets, present and future, situated in the Provinces of Ontario, Quebec, Manitoba, Saskatchewan and Alberta (other than specifically mortgaged property) subject to the right of the Company to assign certain accounts receivable and otherwise to create liens on certain of its properties prior to the floating charge to secure certain bank borrowings.

The Mortgage will provide that the mortgages and charges thereby created shall extend not only to assets owned by the Company at the date of execution of the Mortgage but also to assets acquired thereafter and will provide for the execution by the Company from time to time of any instruments which may be necessary to make such mortgages and charges effective against such after-acquired assets, subject to certain qualifications as will be set out in the Mortgage.

There will also be included in the Mortgage provisions for the release, upon certain terms and subject to certain conditions, of property from time to time covered by the specific mortgages and charges referred to above.

As stated above, the Company is selling privately to certain institutional and other investors \$23,010,000 (Can.) principal amount of Bonds of the 1978 Canadian Series and \$80,990,000 (U.S.) principal amount of Bonds of the 1978 United States Series. The purchase price of the Bonds of each series will be an amount equal to the principal amount of such Bonds payable in the respective currencies in which such Bonds are payable.

The Bond Purchase Agreements providing for the purchase of the Bonds will provide for the payment by the Company to each Purchaser on each Closing Date of an amount calculated at the rate of 1% per annum of the aggregate principal amount of Bonds to be purchased by such Purchaser which have not been purchased prior to the date on which such payment is to be made, such 1% to be computed from January 1, 1957 in the case of the first such payment and, in the case of every other such payment, from the date of the next preceding payment. The Company has the right to postpone from time to time, but in no event to a date later than August 1, 1958, the purchase and sale of Bonds scheduled for purchase on June 3, 1957, September 3, 1957 and May 1, 1958. In the event of any such postponement, the amount of 1% per annum to be paid by the Company to each Purchaser as stated above, will be increased for the period of the postponement to 5½% and 5¼% per annum, respectively, with respect to the Purchaser's commitment to purchase the Bonds of the 1978 Canadian Series and the Bonds of the 1978 United States Series the purchase of which has been so postponed.

The obligations of the respective Purchasers under the Bond Purchase Agreements will be subject to various conditions some of which need be met only at the first date of purchase of the Bonds and others of which must be met at each date of purchase. Certain of the conditions which must be met at the first date of purchase are:

(i) That the Company shall not have taken any previous action which would have been prohibited by the terms of the Mortgage had it been in effect at all times since the date of the Bond Purchase Agreements;

(ii) That the Purchasers shall receive a certificate of an independent engineer (to be delivered at the third date of purchase, also) to the effect that the date of exhaustion of the Company's gas supply (determined on the basis of deficiency in deliverability as provided in the Mortgage) will be a date not earlier than October 1, 1976 (which certificate the Company will be able to obtain only if it enters into certain contracts now being negotiated for the purchase of minor quantities of additional gas or other contracts for the purchase of such quantities of gas and only if it obtains an amendment to the permit authorizing it to export gas from Alberta);

(iii) That Alberta Trunk Line shall have received net cash proceeds from the sale of one or more classes of its securities of not less than \$13,500,000, and that legislation shall have been adopted in the Province of Alberta authorizing the Government of that Province to underwrite or purchase up to \$26,500,000 of bonds of Alberta Trunk Line to meet that company's construction requirements for 1957 and 1958; and

(iv) That the gas distribution system and related facilities in Montreal presently owned by Quebec Hydro Electric Commission, Montreal Coke and Manufacturing Company Limited and Keystone Transports Limited shall be acquired by Quebec Natural Gas Corporation, and that the latter corporation shall have obtained funds or obtained commitments for financing in an amount adequate to provide, for such period in the future as Commonwealth Services Inc. shall consider reasonable in the circumstances, for the conversion of such gas distribution system and related facilities to the distribution of natural gas and the expansion thereof as contemplated by the gas sales contract between the Company and Quebec Natural Gas Corporation.

In addition to the foregoing, the obligations of the respective Purchasers to purchase Bonds both at the first and at each subsequent date of purchase are subject to the following additional conditions:

(i) That on each date of purchase the Company shall, with certain exceptions, have all authorizations, consents, exemptions and approvals necessary for the Company to have procured by said date of purchase in view of the stage of construction or any partial operation of its properties reached by that date and to enable the Company to perform its obligations under the Northern Ontario Section Contract, the Crown Corporation Lease, the Alberta Trunk Line Contract and the Bond Purchase Agreements, and that all such authorizations, consents, exemptions and approvals shall be in full force and effect;

(ii) That the Company shall have performed all agreements in the Bond Purchase Agreements required to be performed on or prior to such date of purchase; that the Company's gas purchase contracts and gas sales contracts (with minor exceptions), the Alberta Trunk Line Contract, the Northern Ontario Section Contract, the Note Purchase Agreement, the Crown Corporation Lease, if theretofore executed, and the agreement referred to in subdivision (15) in paragraph (p) of this Statutory Information shall be in full force and effect, subject to specified rights of modification or amendment; and that the approvals or consents, if any, of all public regulatory bodies required in connection with the execution and delivery of the Mortgage or the issuance or sale of the Bonds to be purchased on such date of purchase shall be in full force and effect;

(iii) That the Purchasers shall receive a certificate of an independent engineer to the effect that there has not been any change in the program or progress of construction or in the financial or other condition or prospects of the Company or of Alberta Trunk Line or of Crown Corporation since February 6, 1957, which makes the Pipe Line System no longer feasible or which in any way materially impairs the Company's ability to carry on the business contemplated in this prospectus or to perform its obligations under the Bond Purchase Agreements or the Mortgage or to meet its obligations as they become due, or which materially impairs the ability of Alberta Trunk Line to perform the Alberta Trunk Line Contract or of Crown Corporation to perform the Northern Ontario Section Contract or the Crown Corporation Lease;

(iv) That the Company shall not be in default under the Mortgage;

(v) That counsel for the Company and for the Purchasers shall give their favorable opinions as to various legal matters involved in the purchase of the Bonds and the acquisition by the Company of its properties as specified in the Bond Purchase Agreements, including the title of the Company to its properties and the lien of the Mortgage, the continued validity and enforceability of certain contracts of the Company, the validity and sufficiency of approvals of governmental bodies theretofore granted to the Company, Crown Corporation and Alberta Trunk Line, and the ability of Purchasers in the United States to remove

the Bonds from Canada without the consent of or taxation by any governmental authority, which opinions of counsel for the Company are required to be satisfactory to counsel for the Purchasers;

(vi) That the aggregate principal amount of the Bonds required to be purchased by each of the other Purchasers on or prior to such date of purchase shall be or shall have been purchased and that the Company shall have received at such date of purchase the proceeds of bank loans under the Bank Credit Agreement, substantially in proportion to the amount of Bonds of the 1978 United States Series being purchased on said date of purchase; and

(vii) That the Company shall have furnished certain certificates with respect to its affairs.

The Mortgage will provide that the cash received from the sale of the Bonds is to be deposited with the Bond Trustee and may be withdrawn by the Company from time to time to cover the cost of construction of the Initial Pipe Line System and the acquisition of the Niagara Section by the Company from its subsidiary, but only upon compliance by the Company with specified conditions. Such conditions include delivery of legal opinions and engineers' and officers' certificates showing in effect, among other things, that, prior to the first such withdrawal, at least \$70,000,000 has already been applied to construction costs from other funds of the Company, consisting principally of proceeds from the sale of the Units of Debentures and common shares, and that, at the time of each subsequent withdrawal, (i) the funds held by the Company and the additional amounts of cash at the time committed to it (including, in the case of withdrawals prior to July 1, 1958 the principal amount of Escrow Bonds referred to below) will be sufficient to cover the remaining estimated cost of completing construction of the Initial Pipe Line System and acquiring the Niagara Section, (ii) construction costs theretofore paid or incurred by the Company in respect of property then subject to the specific lien of the Mortgage, plus the value of securities purchased with cash deposited with the Bond Trustee for withdrawal against construction costs are not less than 110% of the principal amount of the Bonds theretofore issued (iii) necessary governmental authorizations and approvals have been obtained and continue in effect, (iv) the Northern Ontario Section Contract, the Crown Corporation Lease and the Alberta Trunk Line Contract continue in full force and effect and (v) the Company has contracts for all of the pipe necessary to complete the Initial Pipe Line System. Concurrently with the first withdrawal of cash and at the time of the first withdrawal of cash after an aggregate of \$30,000,000, \$60,000,000 and \$90,000,000 respectively, shall have been paid over to the Company by the Bond Trustee, the Company must deliver an independent engineer's certificate to the effect that there has not been any change in the program or progress of construction or in the financial or other condition or prospects of the Company or of Alberta Trunk Line or of Crown Corporation since February 6, 1957, which makes the Pipe Line System no longer feasible or which in any way materially impairs the Company's ability to own, lease and operate the Pipe Line System or to perform its obligations under the Mortgage or to meet its obligations as they become due, or which materially impairs the ability of Alberta Trunk Line to perform the Alberta Trunk Line Contract or of Crown Corporation to perform the Northern Ontario Section Contract or the Crown Corporation Lease.

The Mortgage will also provide that after completion of the Initial Pipe Line System additional bonds may be issued from time to time against the acquisition by the Company of the Northern Ontario Section from the Crown Corporation to the extent of 100% of the net bondable value of the property so acquired (less an amount in lieu of depreciation accrued after the date of acquisition by the Company of the Northern Ontario Section) but not in excess of \$120,000,000, if such issuance will not cause the total principal amount of Bonds and purchase money obligations then outstanding to exceed 70% of the Company's total capitalization (as will be defined in the Mortgage) and if the Company's earnings show a required relationship, on a pro forma basis, to its interest and sinking fund obligations. Additional bonds may also be issued after completion of the Initial Pipe Line System in an amount equal to 60% of the net bondable value of other property additions (which may include oil and gas producing properties up to a limit of \$25,000,000) subject to the same requirements as to capitalization and earnings ratios.

Subject to compliance with the above capitalization ratio but regardless of compliance with any earnings ratio, additional bonds (hereinafter called "Escrow Bonds") may be issued in an amount not in excess of \$13,000,000 against the deposit of an equal amount of cash with the Bond Trustee. If required for completion of the Initial Pipe Line System, such cash may be withdrawn against construction costs therefor. The cash not so required, and any excess of the funds received from the sale of the Bonds of the 1978 Canadian Series and the Bonds of the 1978 United States Series over the cost of completing the Initial Pipe Line System, may be withdrawn by the Company in an amount equal to 100% of the net bondable value of property additions consisting of compressor installations needed to increase the capacity of the line to 570,000 Mcf per day. Cash not withdrawn for the above purpose is to be applied to redemption, without premium, of the Bonds and the Escrow Bonds.

As a sinking fund for the retirement of the Bonds the Company will be required to redeem on October 1, 1961 and on April 1 and October 1 in each year thereafter to and including April 1, 1978 Bonds of the 1978 Canadian Series in the aggregate principal amount of \$590,000 and Bonds of the 1978 United States Series in the aggregate principal amount of \$2,590,000 at the principal amount thereof together with accrued interest to the redemption date leaving approximately \$15,880,000 principal amount of Bonds due at maturity. The Mortgage will also provide that the sinking fund payments on the Bonds shall commence at an earlier date or shall retire Bonds in larger amounts than stated above in the event that an independent engineer's certificate filed for 1958 or any year thereafter prior to 1966 states that the date of exhaustion of the Company's gas supply (determined on the basis of deficiency in deliverability) will be a date earlier than October 1, 1976 or in the event that any such certificate filed for 1966 or any year thereafter states that the date of exhaustion of the Company's gas supply will be a date earlier than October 1, 1983.

The Bonds will also be subject to redemption at the option of the Company at their principal amount and accrued interest plus a premium of 5% during the period from their issuance until June 1, 1973 with such premium reduced thereafter on each June 2 at the rate of 1% and without premium on and after June 2, 1977, except that no such redemption may be carried out prior to June 1, 1972 directly or indirectly as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness of the Company with an interest rate or cost to the Company of 5¼% per annum or less, and except that the Bonds may not be redeemed in part in a principal amount less than \$5,000,000 at any one time.

The Mortgage will provide that the Company may not cancel or terminate the Trunk Line Contract, the Northern Ontario Section Contract or the Crown Corporation Lease and that it may not amend any of such documents or amend in a material respect any gas purchase, sale or transportation contract subject to the specific lien of the Mortgage unless a required certificate is filed to the effect that such amendment is desirable in the Company's business and is not prejudicial to the bondholders. The Mortgage will further provide that the Company will complete the construction of the Initial Pipe Line System and place it in operation in conjunction with the Northern Ontario Section, with adequate working capital, not later than November 1, 1959, subject only to delays due to causes beyond the control of the Company, and in no event later than July 1, 1960, and will complete the expansion of the capacity of the Initial Pipe Line System to 570,000 Mcf per day by November 1, 1963, subject only to delays due to causes beyond the control of the Company but in any event by a date not later than July 1, 1964.

So long as any of the Bonds are outstanding, the Company will be required by the terms of the Mortgage to deposit with the Bond Trustee, semi-annually beginning October 1, 1959, and annually beginning April 1, 1965, cash equal to the excess of the Company's appropriations (not less than a specified minimum) for depreciation, depletion, amortization or other property retirement for the six months' or twelve months' period, as the case may be, ending three months before the date on which the deposit is to be made, over the principal amount of bonds of any series required to be retired through sinking funds or otherwise during such period and the amount of gross property additions which the Company elects to apply as a credit against such deposit for such period.

The Mortgage will provide that prior to completion of the Initial Pipe Line System, the Company will not pay dividends on any of its common shares (except dividends paid in common

shares), or purchase, redeem or otherwise acquire any shares of capital stock (except out of the proceeds of the issue of other capital stock or out of contributions to the capital of the Company) or (with certain exceptions) invest in any other corporation, and that it will not taken any such action thereafter if its outstanding funded debt (with certain exceptions) would then exceed 75% of its total capitalization or if thereafter the aggregate amounts so paid for dividends, repurchases or redemptions would, together with interest not charged to construction, all payments (with certain exceptions) in respect of principal of its 5½% Subordinated Convertible Income Notes due 1987 and the Debentures, all amounts (with certain exceptions) invested in any other corporation and the excess of requirements for retirement of funded debt over the Company's appropriations (not less than a specified minimum) for depreciation, depletion, amortization and other property retirements, exceed the Company's net earnings available for interest after income taxes.

### Subordinated Debentures

The Debentures will be issued under and subject to the provisions of an indenture (hereinafter sometimes referred to as the "Indenture") to be made as of January 1, 1957 between the Company and Montreal Trust Company, as Trustee (hereinafter referred to as the "Debenture Trustee") and will be limited to \$75,000,000 principal amount. The Debentures will be dated as of January 1, 1957 and will mature on January 1, 1987.

The Debentures will be issued in two series, designated as 5.85% Subordinated Debentures due 1987, Canadian Series (herein referred to as the "Canadian Series Debentures") and 5.60% Subordinated Debentures due 1987, United States Series (herein referred to as the "United States Series Debentures").

Interest on the Canadian Series Debentures will be payable at the rate of 5.85% per annum and the interest on, and principal of, Canadian Series Debentures will be payable in Canadian funds. Interest on the United States Series Debentures will be payable at the rate of 5.60% per annum and the interest on, and principal of, the United States Series Debentures will be payable in United States funds. Both principal and interest will be payable in Canada at any branch of the chartered banks to be designated in the Debentures and in the United States at the offices of The Royal Bank of Canada Trust Company or The Canadian Bank of Commerce Trust Company in the Borough of Manhattan, The City of New York.

The Debentures are to be issued initially in fully registered form in denominations of \$100 and in multiples thereof. After January 1, 1960, or such earlier date, but not earlier than November 1, 1958, as may be fixed by the Board of Directors of the Company, fully registered Debentures may be exchanged, at the option of the holders, initially without charge, for Debentures in coupon form, registerable as to principal only, in denominations of \$500 and \$1,000.

The payment of the principal of and interest on the Debentures will be subordinated in all respects in the manner set forth in the Indenture, to the prior payment in full first of all First Mortgage Pipe Line Bonds and second of all other Prior Indebtedness, and after default on Prior Indebtedness, no payments (with certain exceptions) will be permitted to be made on the Debentures. "Prior Indebtedness" will be defined as the principal of and premium, if any, and interest on indebtedness of the Company now outstanding or hereafter incurred for money borrowed from or guaranteed to others, if the instrument creating or evidencing the indebtedness provides that such indebtedness is superior in right of payment to the Debentures. The Debenture Trustee will be authorized from time to time to deliver deeds expressly subordinating the Debentures to Prior Indebtedness. Funds deposited with the Debenture Trustee for the payment of interest on the Debentures for the period from January 1, 1957 to December 31, 1958 will not be subject to the subordination provisions of the Indenture.

The Debentures of either series are to be redeemable at any time as a whole or from time to time in part at the option of the Company, on not less than thirty days' notice at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

The Indenture will contain provisions for the payment by the Company to the Debenture Trustee on or before December 31, 1969 and on or before each December 31 thereafter of an

amount equal to the smaller of \$2,500,000 or 50% of the Sinking Fund Net Income of the Company for the preceding fiscal year. Such amount will be prorated between Canadian funds and United States funds in proportion to the principal amount of Canadian Series Debentures and United States Series Debentures outstanding as of a date within 60 days prior to the payment, Canadian dollars and United States dollars being considered equivalent for the purposes of the proration. Canadian funds so paid to the Debenture Trustee are to be used to redeem Canadian Series Debentures on the next succeeding January 1, and United States funds so paid to the Debenture Trustee are to be used to redeem United States Series Debentures on the next succeeding January 1, in each case if in excess of \$50,000. The Company will be permitted to credit, against its Sinking Fund obligation in either currency, Debentures payable in such currency and acquired by the Company for or redeemed or called for redemption otherwise than through the Sinking Fund. The term "Sinking Fund Net Income" will be defined to mean the sum of the Net Income (as will be defined in the Indenture) of the Company for such fiscal year plus all amounts provided during such fiscal year for depreciation and amortization less (i) all amounts accrued during such fiscal year for sinking, purchase or analogous funds in respect of Prior Indebtedness (ii) all amounts paid to the Bond Trustee during such fiscal year pursuant to the covenant referred to in the last full paragraph on page 59 and (iii) all amounts due or paid in respect of principal of and premium, if any, on Prior Indebtedness other than as a result of voluntary redemption or prepayment or of redemptions through sinking, purchase or analogous funds provided, however, that if Sinking Fund Net Income shall show a deficit for any fiscal year, such deficit shall be carried forward to the succeeding fiscal year or years.

The Indenture will prohibit the Company from paying or declaring any dividend or making any other distribution upon its common shares or acquiring for a consideration any of its common shares (excluding from such restriction and from the following calculation dividends paid in common shares and common shares acquired in exchange or from the proceeds of a substantially concurrent sale of other common shares or out of contributions to the capital of the Company), (a) if after giving effect to such payment or distribution or acquisition the cumulative aggregate amount of all dividends and distributions declared or paid on the common shares and the amount paid for the acquisition of common shares subsequent to December 31, 1956 exceeds the aggregate amount of the Net Income (as so defined) of the Company subsequent to December 31, 1956, or (b) if any interest which is due on the Debentures has not been paid or if any required Sinking Fund payment has not been made.

The Indenture will prohibit the Company from prepaying, redeeming or acquiring its 5½% Subordinated Convertible Income Notes due 1987 (hereinafter referred to under the heading "Note Purchase Agreement—5½% Subordinated Convertible Income Notes") prior to maturity, except in exchange for, or out of the proceeds of, preferred or common shares of the Company or indebtedness subordinated to the Debentures. The Indenture will not restrict the right of the Company to issue additional indebtedness of any rank or class.

The Indenture and the rights of the Debenture holders may be modified by the Company and the Trustee with the consent of holders of a majority in aggregate principal amount of the Debentures at the time outstanding given either at a meeting of Debenture holders or in writing; but no extension of the maturity of the Debentures, or reduction in the rate of interest thereon or change in Sinking Fund requirements or modification in the terms of payment of principal or interest or reduction of the aforesaid percentage required for modification will be effective against any Debenture holder without his consent.

#### **Common Shares—Deposit Agreement**

The 3,750,000 common shares forming part of the Units of Debentures and common shares referred to in this paragraph (f) will be deposited with Montreal Trust Company, as Depositary, pursuant to a Deposit Agreement to be made as of January 1, 1957 between the Company and Montreal Trust Company. The Deposit Agreement will provide that within three business days after June 3, 1957 (or the date on which the Company first issues any of the Bonds, which-

ever is later) the Depositary will mail to each registered owner of a Debenture of record on such date three common shares for each \$100 principal amount of Debentures held by him and that within three business days after December 31, 1959 (or such earlier date, not earlier than November 1, 1958 as may be fixed by the Board of Directors of the Company) the Depositary will mail to each such registered owner of record on such date two common shares for each \$100 principal amount of Debentures held by him. Prior to December 31, 1959 or the earlier date so fixed (or as to any Debenture which shall be redeemed, its redemption date) the Units will be transferable only as a whole, including the common shares applicable thereto still held by the Depositary, and any transfer of a Debenture will constitute a transfer of the holder's beneficial interest in the related common shares.

Pursuant to the Deposit Agreement, the beneficial owners of the common shares, as their names appear on the Debenture register, will be entitled to receive from the Depositary proxies to vote such shares.

#### **Bank Credit Agreement—5¼% Notes**

The Company intends to enter into a Bank Credit Agreement dated as of February 11, 1957 (herein called the "Bank Credit Agreement") with The First National City Bank of New York, Mellon National Bank and Trust Company and J. P. Morgan & Co. Incorporated providing for loans by such banks to the Company amounting in the aggregate to \$20,000,000 (herein called the "Bank Loan"), in United States funds, of which \$10,000,000 (U.S.) is to be loaned by The First National City Bank of New York, \$7,000,000 (U.S.) by Mellon National Bank and Trust Company and \$3,000,000 (U.S.) by J. P. Morgan & Co. Incorporated. The borrowings under the Bank Credit Agreement will be made simultaneously with the issuance of Bonds under the Bond Purchase Agreements and substantially in proportion to the amount of Bonds of the 1978 United States Series being purchased on each purchase date. Loans under the Bank Credit Agreement will be evidenced by promissory notes of the Company bearing interest at the rate of 5¼% per annum and maturing March 1, 1962 (herein referred to as "5¼% Notes").

Loans under the Bank Credit Agreement will be secured by the pledge with each lending bank of Bonds of the 1978 United States Series in a principal amount equal to the principal amount of the loans from time to time outstanding under the Bank Credit Agreement.

The Bank Credit Agreement will provide for the payment of a commitment fee at the rate of ½ of 1% per annum on the daily average unused commitment of each bank beginning January 1, 1957.

The obligations of the banks to make loans under the Bank Credit Agreement will be subject to substantially the same conditions as the obligations of the purchasers of Bonds under the Bond Purchase Agreements and to certain other conditions relating to the authorization and validity of the Bank Credit Agreement, the Notes issued thereunder and the security therefor.

The Company will have the right to prepay amounts borrowed under the Bank Credit Agreement at any time and from time to time in whole or in part without premium, except that a premium of 1% per annum to the maturity of the amount prepaid will be required in case of any prepayment from the proceeds of borrowings from other banks. Sinking fund payments on the Bonds pledged to secure the Bank Loan will be required to be applied to the prepayment of such loan.

#### **Note Purchase Agreement—5½% Subordinated Convertible Income Notes**

The Company intends to enter into a Note Purchase Agreement dated as of January 1, 1957, with certain of its shareholders (herein called the "Shareholders") with respect to the purchase of \$21,000,000 principal amount of the Company's 5½% Subordinated Convertible Income Notes due 1987 (herein referred to as "Convertible Income Notes"). The Bond Trustee and the Debenture Trustee will be parties to the Note Purchase Agreement and will be given rights to enforce

said agreement for the benefit of the holders of the Company's First Mortgage Pipe Line Bonds and Debentures respectively. Neither the Note Purchase Agreement nor the Convertible Income Notes may be changed in a manner adversely affecting the holders of the Company's originally contemplated First Mortgage Pipe Line Bonds (as defined in the Note Purchase Agreement) except with the consent of the holders of 66⅔% in aggregate principal amount of such Bonds and of the 5¼% Notes at the time outstanding; nor may the Note Purchase Agreement nor the Convertible Income Notes be changed in a manner adversely affecting the holders of the Debentures except with the consent of the holders of a majority in aggregate principal amount of the Debentures at the time outstanding.

The Note Purchase Agreement will provide that the Shareholders will be severally obligated to purchase, upon the terms and conditions provided in the Note Purchase Agreement, not in excess of the principal amount of Notes set forth opposite their respective names in the Note Purchase Agreement and that the Shareholders will be severally obligated to purchase at par, from time to time, an aggregate principal amount of Convertible Income Notes equal to the Bond Interest Deficiency (accrued interest on all First Mortgage Pipe Line Bonds less net earnings available for such interest, as defined), Depreciation Fund Deficiency (the Company's Depreciation Accrual less net earnings available for interest and depreciation, as defined) and Debenture Interest Deficiency (interest accrued on the Debentures less net earnings available for such interest, as defined) for specified computation periods. Such computation periods consist of the six months periods ended June 30 and December 31 in the years 1959, 1960, 1961, 1962 and 1963 and the three months period ended January 31, 1959. For purposes of computing Deficiencies under the Note Purchase Agreement, the figures for the three months period ended January 31, 1959 are in effect doubled and the Company is in effect deemed to have no Depreciation Accrual for such period, and the actual Depreciation Accrual for the six months period ended December 31, 1959 is multiplied by four-thirds. Deficiencies under the Note Purchase Agreement are to be determined on the basis of periodic certificates delivered by the Company or, if the Company fails to deliver such certificates, on an assumed basis set forth in the Note Purchase Agreement.

Payment for Convertible Income Notes purchased by Shareholders under the foregoing provisions are to be made to the Bond Trustee, except that payments for Notes purchased on account of Debenture Interest Deficiencies, up to a maximum of \$7,910,000, are to be made to the Debenture Trustee, unless an event of default under the Mortgage or an event which with the passage of time constitutes such an event of default is continuing or unless the Company has failed to deliver the computation certificates referred to above for the relevant computation period. Amounts so received by the Bond Trustee on account of Bond Interest Deficiencies are to be used to pay Bond interest and amounts so received by the Bond Trustee on account of Depreciation Fund Deficiencies or Debenture Interest Deficiencies may be withdrawn on the basis of property additions or used to redeem Bonds. Amounts so received by the Debenture Trustee are to be applied to the payment of Debenture interest.

Each Shareholder will have the right under the Note Purchase Agreement to purchase from the Company at the option of such Shareholder during the period from November 1, 1958 to July 1, 1964 at par a principal amount of Convertible Income Notes which, together with the principal amount of all Convertible Income Notes theretofore purchased by such Shareholder pursuant to any provisions of the Agreement, will not exceed one-third of the amount set forth opposite its name in the Note Purchase Agreement. The purchase price of Convertible Income Notes purchased at the option of a Shareholder is to be paid to the Bond Trustee and to be applied as credits on the next succeeding obligations of the Shareholder to purchase Convertible Income Notes to meet Deficiencies, including Debenture Interest Deficiencies. Any such funds held by the Bond Trustee on July 1, 1964 are to be paid over to the Company.

The Convertible Income Notes will mature on January 1, 1987, and will bear interest at the rate of 5½% per annum. Such interest will not be cumulative and will be payable, as provided in the Convertible Income Notes, only to the extent earned. The Company may prepay any Convertible Income Note, in whole or in part, after July 1, 1964 at a redemption price of 105%

of the principal amount together with accrued interest from the preceding May 1. The indebtedness represented by the Convertible Income Notes will be expressly subordinated in all respects in the manner set forth in the Convertible Income Notes to the prior payment in full first of all the Company's First Mortgage Pipe Line Bonds, second of all the Company's Other Senior Indebtedness (as defined) and third of the Debentures, and after default on the Company's First Mortgage Pipe Line Bonds, Other Senior Indebtedness or Debentures, no payments (with certain exceptions) will be permitted to be made on the Convertible Income Notes. Other Senior Indebtedness will be defined as the principal of and premium, if any, and interest on indebtedness of the Company (other than First Mortgage Pipe Line Bonds and the Debentures) unless the instrument creating or evidencing such indebtedness provides that such indebtedness is not superior in right of payment to the Convertible Income Notes. The Convertible Income Notes are to be convertible at their principal amount into common shares of the Company at any time after July 1, 1964 and prior to maturity at \$15 per share except that such privilege shall terminate at the close of business on the 15th day prior to any prepayment date as to Convertible Income Notes to be prepaid on such date. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution.

(g) There is no substantial indebtedness to be created or assumed at the present time which is not shown on the balance sheet of the Company as at December 31, 1956 forming part of this prospectus except the Bonds, the Bank Loan, the Debentures, the 5¼% Notes and the 5½% Subordinated Convertible Income Notes due 1987 (if and when issued) referred to herein.

(h) The proceeds of the sale by the Company of the securities referred to in paragraph (f) will be used by the Company as follows:

\*(i) \$6,337,503.90 (Canadian funds) and \$2,333,329.60 (U.S. funds) will be deposited with the Debenture Trustee in trust for the holders of the Canadian Series Debentures and the United States Series Debentures, respectively, for the payment of interest on such Debentures for the period from January 1, 1957 to December 31, 1958;

\*(ii) Approximately \$49,750,000 plus interest will be used to redeem the Company's presently outstanding 5% First Mortgage Bonds;

(iii) Approximately \$5,350,000 plus interest will be used to redeem the presently outstanding debentures of the Company's wholly owned subsidiary, Western Pipe Lines;

(iv) The balance of such proceeds will be added to the Company's general funds and used to pay the cost of the Initial Pipe Line System referred to in paragraph (c) of this Statutory Information.

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\* These amounts are included in the figure \$228,100,000 set forth in paragraph (c) of this Statutory Information.

(i) The aggregate remuneration paid by the Company during its last financial year to directors of the Company as such was Nil and to officers who individually received or were entitled to receive remuneration at a rate in excess of \$10,000 per annum was \$143,912. It is estimated that the aggregate remuneration to be paid or which will be payable during the current financial year to directors as such will be Nil and to officers who individually will receive or be entitled to receive remuneration at a rate in excess of \$10,000 per annum will be \$178,620.

(j) The estimated net proceeds to be derived by the Company from the sale of the Bonds, the Units of Debentures and common shares, and the \$20,000,000 (U.S.) Bank Loan to be evidenced by the 5¼% Notes referred to in paragraph (f), on the basis of the same being fully taken up and paid for will be approximately \$227,240,000 (on the basis of converting U. S. funds to Canadian funds at a discount of 4%) less legal, auditing, printing and miscellaneous expenses in connection with the issue of the said securities.

(k) With respect to the common shares proposed to be sold by the Company as part of the Units offered by this prospectus, the minimum amount which in the opinion of the directors

of the Company must be raised by the issue of such shares in order to provide the balance of the sums required for the purposes specified in paragraph (c) over and above the amounts estimated to be realized from the sale of the Bonds and the Debentures is \$37,500,000.

(l) The Company proposes to pay to the underwriters referred to in part (13) and the representatives referred to in part (14) of paragraph (p) a fee of \$720,000, partly in U. S. funds, for arranging the sale of the Bonds and the Bank Loan referred to in paragraph (f). In addition the Company proposes to pay commissions to the underwriters referred to in part (13) and the underwriters referred to in part (14) of paragraph (p) aggregating \$4,500,000, partly in U. S. funds in respect of the sale of the Units of Debentures and common shares referred to in paragraph (f).

(m) The Company has acquired in fee simple lands in the vicinity of Burstall, Saskatchewan and at the western terminus of the Pipe Line System as sites for a compressor station and a metering station respectively, and is in process of acquiring in fee simple other sites for further compressor stations and rights-of-way to enable it to construct and maintain the Pipe Line System referred to in paragraph (c). The Company has also acquired or is in process of acquiring the pipe and other materials required for the construction of the said Pipe Line System.

(n) Henry Geigle (a resident of Saskatchewan) was the vendor to the Company of the lands in the vicinity of Burstall, Saskatchewan referred to in paragraph (m) and Earl Floyd Deibert (a resident of Saskatchewan) was the vendor to the Company of the lands at the western terminus of the Pipe Line System referred to in paragraph (m) and the respective amounts paid to such vendors were the sums of \$3,062.17 and \$375 which sums were paid in cash.

The vendors to the Company of the fee simple lands and rights-of-way upon which the Initial Pipe Line System will be constructed will be the various landowners (the number of which will be very substantial) across whose properties the pipe line will pass. The amounts payable to such vendors will vary in individual cases but it is estimated that the cost of acquisition of such fee simple lands and rights-of-way (including in such costs the amounts already referred to in this paragraph (n)) will total approximately \$2,375,000. The pipe and other materials and supplies required for the construction of the pipe line system are being and will be purchased by the Company at current prices from manufacturers and suppliers dealing in such items in the ordinary course of business, including the following: A. O. Smith Corporation, Milwaukee, Wisconsin; Welland Tubes Limited, Toronto, Ontario; South Durham Iron and Steel Limited, Middlesborough, England and Republic Steel Corporation, Cleveland, Ohio.

(o) The cost of services rendered and to be rendered to the Company in connection with the construction of the Initial Pipe Line System including legal and auditing expenses may be paid for wholly or partly out of the proceeds of the issue of the Bonds, the Bank Loan and the Units of Debentures and common shares referred to in paragraph (f) of this Statutory Information.

(p) In addition to contracts in the ordinary course of its business, namely, the construction and operation of the Pipe Line System herein referred to, the Company has entered into the following contracts within the two years preceding the date of this prospectus:

(1) Agreement dated November 1, 1955 between Tennessee Gas Transmission Company and the Company granting an option to Tennessee Gas Transmission Company to purchase common shares of the Company and providing, inter alia, for an assignment to the Company of purchase orders for pipe placed by Tennessee Gas Transmission Company;

(2) Agreement (herein referred to as the "Northern Ontario Section Contract") dated November 21, 1955 between Her Majesty the Queen in right of Canada and the Company as amended by further agreements between the same parties, providing, inter alia, for the establishment of a Crown Corporation and the construction by such Crown Corporation of the Northern Ontario Section;

(3) Precedent Agreement dated December 9, 1955 between Niagara Gas Transmission Limited, Western Pipe Lines, The Consumers' Gas Company of Toronto and the Company, as amended by an agreement dated July 6, 1955 between the same parties, providing, inter alia, subject to the obtaining of the necessary permits by the Company, for an agreement to be entered into by Niagara Gas Transmission Limited and the Company with respect

to the transportation through the pipe line operated by Niagara Gas Transmission Limited of gas purchased by the Company at Niagara Falls, Ontario;

(4) Letter Agreement dated December 9, 1955 between The Consumers' Gas Company of Toronto, Niagara Gas Transmission Limited and the Company clarifying the terms used in the precedent agreement referred to in (3) above;

(5) Agreement dated February 8, 1956 between Tennessee Gas Transmission Company, Canadian Gulf Oil Company, Hudson's Bay Oil and Gas Company Limited and the Company, providing, inter alia, for the purchase by each of Tennessee Gas Transmission Company, Canadian Gulf Oil Company and Hudson's Bay Oil and Gas Company Limited of specified amounts of common shares in the capital stock of the Company, and for the cancellation of the option in favor of Tennessee Gas Transmission Company referred to in (1) above;

(6) Agreement dated February 8, 1956 between Canadian Gulf Oil Company, Hudson's Bay Oil and Gas Company Limited and Tennessee Gas Transmission Company (herein called the "Optionors"), Montreal Trust Company and the Company, pursuant to which each of the Optionors granted to Montreal Trust Company an option, exercisable within a determinable period, to purchase 38,563 common shares of the Company held by such Optionors, and granted certain corporations the right to be offered such shares by Montreal Trust Company in proportion to such corporations' holdings of common shares of the Company as at February 8, 1956;

(7) Letter Agreement dated March 26, 1956 between The Alberta Gas Trunk Line Company, Limited and the Company providing generally for transportation within the Province of Alberta of gas purchased by the Company in Alberta;

(8) Agreement dated May 8, 1956 between Her Majesty the Queen in right of Canada and the Company providing for the making of loans by the Government of Canada to the Company to enable the Company to construct the western section of its proposed pipe line system and for the mortgaging by the Company to the Northern Ontario Pipe Line Crown Corporation of the undertaking, assets and rights of the Company;

(9) Agreement dated May 8, 1956 between Her Majesty the Queen in right of Canada, all the shareholders of the Company, the Company, R. J. Wallace, N. E. Tanner and C. S. Coates and The Deputy Minister of Finance of Canada, as Trustee. Under the terms of this agreement all of the shareholders of the Company have placed their shares in escrow with the said Trustee, Messrs. N. E. Tanner, C. S. Coates and R. J. Wallace have agreed to similarly deal with any shares to which they might be entitled as a result of the exercise of the options referred to in paragraph (e) hereof, the Company has agreed not to issue any further shares of its capital stock unless and until the subscriber has undertaken to agree to similarly place such shares in escrow to be dealt with in accordance with the terms of the agreement, and if the Company fails to carry out its obligations in the agreement referred to in (8) above the Government of Canada may at its option acquire all shares so placed in escrow; under an option agreement dated July 12, 1956 T. H. Atkinson has agreed to deal with the shares covered by such option agreement in accordance with the said agreement dated May 8, 1956; when the loans referred to in (8) above have been repaid by the Company, the shares held in escrow will be released by the said Trustee;

(10) Agreement dated May 11, 1956 between Tennessee Gas Transmission Company, Canadian Gulf Oil Company, Hudson's Bay Oil and Gas Company Limited and the Company confirming the provisions of the agreement referred to in (1) above in so far as they relate to the assignment to the Company of purchase orders for pipe placed by Tennessee Gas Transmission Company and providing, subject to the fulfillment of certain conditions, for the assignment to the Company of the interests of Canadian Gulf Oil Company and Hudson's Bay Oil and Gas Company Limited in such purchase orders;

(11) Indenture dated June 7, 1956 between Northern Ontario Pipe Line Crown Corporation and the Company providing for the issuance of \$80,000,000 principal amount of 5%

First Mortgage Bonds of the Company, and supplemental indentures between the same parties dated as of August 1, 1956, September 21, 1956, October 1, 1956, October 5, 1956, November 15, 1956, December 1, 1956 and February 1, 1957;

(12) Letter agreement dated June 8, 1956 between Tennessee Gas Transmission Company, Canadian Gulf Oil Company, Hudson's Bay Oil and Gas Company Limited and the Company implementing the provisions of the agreement referred to in (10) above;

(13) Agreement dated February 12, 1957, between the Company and Nesbitt, Thomson and Company, Limited, Wood, Gundy & Company Limited, McLeod, Young, Weir & Company Limited and Osler, Hammond & Nanton Limited providing for the sale of 541,667 Canadian units consisting of \$54,166,700 principal amount of Canadian Series Debentures and 2,708,335 common shares of the Company;

(14) Agreement dated February 12, 1957, between the Company and Lehman Brothers, Stone & Webster Securities Corporation and White, Weld & Co., as representatives of the several United States Underwriters named therein, providing for the sale of 208,333 United States units consisting of \$20,833,300 principal amount of United States Series Debentures and 1,041,665 common shares of the Company;

(15) Agreement dated January 30, 1957 between Her Majesty the Queen in right of Canada, Northern Ontario Pipe Line Crown Corporation and the Company, by which, inter alia, the Crown Corporation assumes the liabilities and obligations of Her Majesty the Queen in right of Canada under the agreement referred to in (2) above;

(16) Agreement (herein referred to as the "Alberta Trunk Line Contract") dated January 29, 1957 between The Alberta Gas Trunk Line Company, Limited and the Company implementing the agreement referred to in (7) above;

(17) Agreement (herein referred to as the "Agreement to Lease") dated February 8, 1957 between Northern Ontario Pipe Line Crown Corporation and the Company providing for the entering into of a lease (herein referred to as the "Crown Corporation Lease") in the form attached to the said agreement.

Copies of the said contracts, and of the Mortgage, the Bond Purchase Agreements, the Indenture, the Deposit Agreement, the Bank Credit Agreement and the Note Purchase Agreement, referred to in paragraph (f) hereof (when executed), may be inspected at the executive office of the Company, 160 Bloor Street East, Toronto, Ontario, during usual business hours of any business day during the period of primary distribution of the Units of Debentures and common shares referred to in this prospectus.

(q) The by-laws of the Company contain the following provisions as to the remuneration of directors:

"10. Remuneration: Each of the directors shall receive such remuneration as the board of directors of the Company shall from time to time fix by resolution and shall be entitled to be reimbursed for travelling and other out-of-pocket expenses incurred in the performance of his duties as a director".

(r) The Company does not propose to acquire any property in which any director of the Company is interested, except that the Company has entered into gas purchase contracts with corporations of which some of the directors of the Company are also directors and shareholders, and to the extent of the interest of such of the directors as shareholders in such vendors, they may be deemed to have an interest in the gas to be acquired by the Company for resale. E. D. Loughney, a director of the Company, is a Vice-President and a director of The British American Oil Company Limited, of which Canadian Gulf Oil Company is a wholly-owned subsidiary. R. C. Brown, a director of the Company is President and a director of Hudson's Bay Oil and Gas Company Limited. F. A. Schultz, a director of the Company, is Vice-President and a

director of Canadian Delhi Oil Ltd. C. W. Murchison, a director of the Company, is President and a director of Canadian Delhi Oil Ltd. The Company has entered into agreements with (among others) Nesbitt, Thomson and Company, Limited, Wood, Gundy & Company Limited, Osler, Hammond & Nanton Limited and Lehman Brothers with respect to the sale of the securities offered hereby, as set forth in paragraph (p) of this Statutory Information. A. D. Nesbitt, a director of the Company, is President and a director of Nesbitt, Thomson and Company, Limited. J. K. McCausland, a director of the Company, is a director of Wood, Gundy & Company Limited. G. P. Osler, a director of the Company, is President and a director of Osler, Hammond & Nanton Limited. J. R. Fell, a director of the Company, is a partner of Lehman Brothers.

(s) All of the presently issued and outstanding common shares in the capital stock of the Company (other than director's qualifying shares) are held in escrow by the Deputy Minister of Finance of Canada, as Trustee.

Reference is hereby made to item (9) of paragraph (p) of this Statutory Information for the particulars relating to the date of and the conditions governing, the release of the said common shares from escrow.

Following the release of the said common shares from escrow 1,904,417 of the presently issued and outstanding common shares are to be held pursuant to a Voting Trust Agreement to be dated as of January 1, 1957 and made between the owners and holders of common shares of the Company listed in Schedule A to the said Agreement, Thomas Howard Atkinson, Ruby Clifford Brown, Edward Dean Loughney, Horatio Ray Milner, Arthur Deane Nesbitt, Frank August Schultz and William W. Witmer, as Voting Trustees, and Montreal Trust Company, as Custodian and Registrar.

The Voting Trust Agreement by its terms will terminate on December 31, 1966 unless terminated prior thereto, in whole or in part, by written order of the registered holders of 75% in interest of the then outstanding Voting Trust Certificates; provided, however, that so long as any of the Bonds shall be outstanding the Voting Trust Agreement shall not be terminated or amended in certain respects without the consent in writing of the holders of the majority of such Bonds.

All of the common shares of the Company held under the Voting Trust Agreement will be deposited with the Voting Trustees. The Voting Trustees are entitled to exercise, in their sole and absolute discretion, all shareholders' voting rights in respect of all shares deposited under the Voting Trust Agreement, including the right to take part in or consent to any shareholders' action, subject however to provisions to be set out in the Voting Trust Agreement with respect to voting on certain specified matters.

The Voting Trustees will act by decision of four thereof at the time in office. Any Voting Trustee may be a director or an officer of the Company and may vote for himself as such, and no person will be disqualified from acting as a Voting Trustee by reason of personal interest, direct or indirect, in the Company or its securities. Any Voting Trustee may hold, purchase, sell or deal with Voting Trust Certificates or in securities of the Company to the same extent as if he were not such a Voting Trustee.

The Voting Trustees shall not be entitled to remuneration for acting as such.

The Voting Trust Agreement will provide that the Voting Trustees shall, upon receipt thereof, pay to the holders of Voting Trust Certificates all amounts received as dividends or distributions in cash or property, other than shares of voting capital stock, on the shares held in the Voting Trust, less any income or other taxes which may be required by law to be deducted.

(t) No dividends have been paid by the Company up to the date of this prospectus.

DATED this 12th day of February, 1957.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The

Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), by the Quebec Securities Act, by Section 39 of The Securities Act (Saskatchewan), by The Securities Act (Nova Scotia) and by Part IX of The Securities Act, 1955 (Alberta), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

## DIRECTORS

N. E. TANNER\*

.....  
N. E. Tanner

E. D. LOUGHNEY\*

.....  
E. D. Loughney

CHARLES S. COATES\*

.....  
Charles S. Coates

M. A. MACPHERSON\*

.....  
M. A. MacPherson

H. R. MILNER\*

.....  
H. R. Milner

J. K. MCCausLAND\*

.....  
J. K. McCausland

FRANK A. SCHULTZ\*

.....  
Frank A. Schultz

C. W. MURCHISON\*

.....  
C. W. Murchison

EDOUARD ASSELIN\*

.....  
Edouard Asselin

A. DEANE NESBITT\*

.....  
A. Deane Nesbitt

T. H. ATKINSON\*

.....  
T. H. Atkinson

G. P. OSLER\*

.....  
G. P. Osler

EDWARD W. BICKLE\*

.....  
Edward W. Bickle

GARDINER SYMONDS\*

.....  
Gardiner Symonds

R. C. BROWN\*

.....  
R. C. Brown

JULES R. TIMMINS\*

.....  
Jules R. Timmins

JOHN R. FELL\*

.....  
John R. Fell

J. ROSS TOLMIE\*

.....  
J. Ross Tolmie

\* By their agent

N. JOHN McNEILL

## CANADIAN UNDERWRITERS

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), by the Quebec Securities Act, by Section 39 of The

Securities Act (Saskatchewan), by The Securities Act (Nova Scotia) and by Part IX of The Securities Act, 1955 (Alberta), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

NESBITT, THOMSON AND COMPANY, LIMITED

by J. IAN CROOKSTON  
Vice President

WOOD, GUNDY & COMPANY LIMITED

by D. B. DINGLE  
Director

MCLEOD, YOUNG, WEIR & COMPANY, LIMITED

by J. H. RATCLIFFE  
President

OSLER, HAMMOND & NANTON LIMITED

by R. B. PAYNE  
Vice President

The following are the names of all persons having an interest directly or indirectly to the extent of not less than five per centum in the capital of each of the undersigned Underwriters:

<u>Name of Underwriter</u>	<u>Name of Interested Person</u>
Nesbitt, Thomson and Company, Limited	A. D. Nesbitt D. K. Baldwin R. H. Dean P. N. Thomson J. I. Crookston
Wood, Gundy & Company Limited	C. L. Gundy W. P. Scott A. H. Williamson D. R. A. Walker E. S. Johnston J. N. Cole E. H. Ely
McLeod, Young, Weir & Company, Limited	D. I. McLeod J. G. Weir J. H. Ratcliffe W. H. R. Jarvis H. S. Backus R. A. Jarvis F. O. Evans J. S. Dinnick J. E. Langdon
Osler, Hammond & Nanton Limited	Estate of Hugh F. Osler Gordon P. Osler Ralph B. Payne Estate of L. D. M. Baxter Edmund B. Osler Mrs. Agnes Tucker









# TRANS-CANADA PIPE LINES LIMITED

Comparison of Trans-Canada Prices for  
Gas Under the Same Service Conditions:

1. To Midwestern Gas Transmission Company  
at Emerson, Manitoba.
2. To Any Manitoba Rate Zone Distributor  
(Including Winnipeg & Central Gas Company)

	<u>Midwestern Gas Transmission Co.</u>		<u>Manitoba Zone</u>
Pressure Base (psia)	15.025 # (Midwestern) (Contract) (Pressure)	14.73 # (T.C.P. Canad'n) (Contract) (Pressure)	14.73 #
<u>First Three Years: (75% L.F.)</u>			
Rate	\$2.20/20¢		\$1.90/20¢
Price per mcf:	29.64¢	29.06¢	28.33¢
<u>Next Two Years: (95% L.F.)</u>			
Rate	\$2.20/20¢		\$1.90/18¢
Price per mcf:	27.61¢	27.07¢	24.58¢
<u>Second Five Years: (95% L.F.)</u>			
Rate	\$2.50/20¢		\$1.90/18¢
Price per mcf:	28.65¢	28.09¢	24.58¢
<u>Third Five Years: (95% L.F.)</u>			
Rate	\$2.81/20¢		\$1.90/18¢
Price per mcf:	29.72¢	29.14¢	24.58¢
<u>Fourth Five Years: (95% L.F.)</u>			
Rate	\$3.11/20¢		\$1.90/18¢
Price per mcf:	30.76¢	30.16¢	24.58¢
<u>Fifth Five Years: (95% L.F.)</u>			
Rate	\$3.42/20¢		\$1.90/18¢
Price per mcf:	31.84¢	31.21¢	24.58¢
<u>Average Price per mcf:</u>			
First Twenty Years:	29.49¢	28.91¢	25.14¢
( 3 yrs - 75%)			
(17 yrs - 95%)			
Twenty-five Years:	29.96¢	29.37¢	25.03¢
( 3 yrs - 75%)			
(22 yrs - 95%)			



TRANS-CANADA PIPE LINES LIMITED  
SUMMARY OF RATE SCHEDULES BY ZONES

Attached is a tabulation showing the various rates presently offered by Trans-Canada in its various rate zones. Also appearing on the tabulation is the average cost of gas in cents per Mcf calculated at the minimum load factors under each of the contract demand rate schedules.

The firm industrial rate is available to any customer purchasing under one of the "D" rate schedules and applies to the daily demand quantity of gas sold as firm industrial sales by that customer under firm service industrial contracts. This rate was designed to assist the distributors in building industrial sales and is presently offered for a ten-year term only.

In addition to the above rate provisions, most of Trans-Canada's existing gas sales contracts with Canadian distributors have additional development period provisions which were the result of negotiations with each of the distributors and which are for the primary purpose of assisting the distributor to build load in the early years. In each such instance these additional development period provisions result in a lower cost of gas to the distributor than would otherwise result from the attached rates.

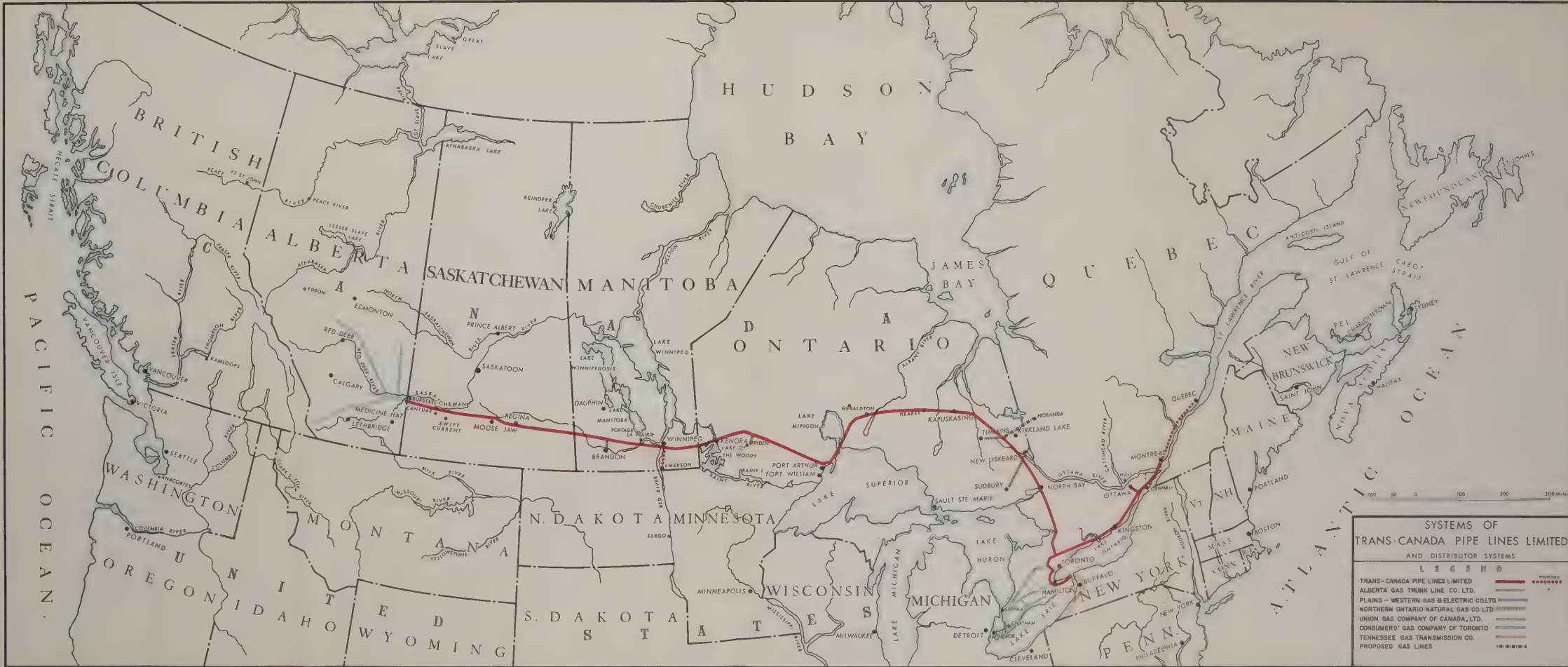


Rate	Rate Zone					
	<u>S</u>	<u>M</u>	<u>W</u>	<u>N</u>	<u>C</u>	<u>E</u>
<u>Contract Demand Rates</u>						
D-90% Take-or-Pay						
Demand Charge, \$/Mcf/Mo.	1.00	1.90	2.90	4.10	4.40	5.05
Commodity Charge, ¢/Mcf	17.5	18	23	27.5	28	28
Av. Cost, ¢/Mcf @ 90% l.f.	21.2	24.9	33.6	42.5	44.1	46.4
D-1 - 75% Take-or-Pay						
Demand Charge, \$/Mcf/Mo.	1.00	1.90	2.90	4.10	4.40	5.05
Commodity Charge, ¢/Mcf	18	20	25	29.5	30	30
Av. Cost, ¢/Mcf @ 75% l.f.	22.4	28.3	37.7	47.5	49.3	52.1
D-2 - 50% Take-or-Pay						
Demand Charge, \$/Mcf/Mo.	1.00	1.90	2.90	4.10	4.40	5.05
Commodity Charge, ¢/Mcf	19.5	22.5	27.5	32	32.5	32.5
Av. Cost, ¢/Mcf @ 50% l.f.	26.1	35.0	46.6	59.0	61.4	65.7
Development Period, Years	3	3	3	3	3	3
Ceiling, ¢/Mcf, Rates D-1 & D-2 during development period	24.2	31.5	41	51.3	53.2	56.2
IF - Firm Industrial (Max. term) (10 years)						
Demand Charge \$/Mcf/Mo.	.75	1.42	2.18	3.07	3.30	3.78
Commodity Charge, ¢/Mcf						
To a D Customer	17.5	18	23	27.5	28	28
Av. Cost ¢/Mcf @ 90% l.f.	20.2	23.2	31.0	38.7	40.1	41.8
To a D-1 Customer	18	20	25	29.5	30	30
Av. Cost ¢/Mcf @ 75% l.f.	21.3	26.2	34.6	43.0	44.5	46.6
To a D-2 Customer	19.5	22.5	27.5	32.0	32.5	32.5
Av. Cost ¢/Mcf @ 50% l.f.	24.4	31.8	41.8	52.2	54.2	57.4
<u>Flat Rates</u> (¢/Mcf)						
SGS - (Up to 5000 Mcf/Day)						
3-year development period	24.2	31.5	41	51.3	53.2	56.2
After development period	27.5	38	51	63	65	67.5
OP - Off Peak - 6 Summer Mos.	20	23	28	34	35	36
- 8 Summer Mos.	23	26	31	37	38	39
XS - Interruptible, Seller's option	18	20	25	29.5	30	30
WPS - Winter Peak Shaving	75	75	75	75	75	75















TRANS-CANADA PIPE LINES LIMITED

CONSTRUCTION PROGRESS REPORT

January 1st, 1958



## GENERAL

This is a report on the status of construction on the 2294-mile natural gas transmission system of Trans-Canada Pipe Lines Limited as of January 1st, 1958.

At the close of the first full year of construction, 1360 miles, or well in excess of 60 per cent of the initial system, had been installed. Of this total, approximately 1130 miles have been tested and have been approved by the Board of Transport Commissioners.

Trans-Canada has completed, tested and placed in operation:

All of the 34-inch diameter line between Alberta and Winnipeg; the portion of the 30-inch needed to connect with the Crown Corporation section at the Manitoba-Ontario border; and the eastern division, which includes the 24 and 20-inch line between Sheridan and Montreal and the 12-inch extension to serve Ottawa.

Under the terms of a contract with the Northern Ontario Pipe Line Crown Corporation, Trans-Canada is responsible for the design, engineering, acquisition of right-of-way and supervision of construction of the "Crown Section" - the 675-mile stretch of the system between the Manitoba-Ontario border and Kapuskasing. This particular section is being constructed by the Crown and will be leased to Trans-Canada. The westerly portion of this section - 310.7 miles from the Manitoba border to Port Arthur, Ontario has been completed except for testing which is in progress.

Contracts have been let by both Trans-Canada and the Crown Corporation for construction of the balance of the initial system from Port Arthur to the Toronto Junction. The contractors have moved in and are unloading materials and clearing right-of-way in preparation for an early start in the spring.



CONSTRUCTION

WESTERN SECTION

Spread #1

(100.1 Miles)

from a point 1.2 miles inside  
the Alberta border to a point near  
Leinan, Sask.

Contractor

Majestic Contractors Limited  
Edmonton

Status -

Complete and tested

Spread #2

(110.3 Miles)

from a point near Leinan to a  
point near Belbeck, Sask.

Contractor -

Canadian Bechtel Limited,  
Toronto

Status -

Complete and tested



WESTERN SECTION    cont'd

Spread #3

(90.5 Miles) -

from a point near Belbeck to a  
point near Adair, Sask.

Contractor -

Universal (Mannix Limited)  
Calgary

Status -

Complete and tested

Spread #4

(98.51 Miles)

from a point near Adair, Sask.  
to a point near Miniota, Man.

Contractor -

Dutton-Williams Brothers Ltd.  
Calgary

Status

Complete and tested



WESTERN SECTION

Cont'd

Spread #5

(98.62 Miles) -

from a point near Miniota to

a point near Burnside, Manitoba

Contractor -

Price-Poole Limited  
Edmonton

Status -

Complete and tested

Spread #6

(86.14 Miles) -

from a point near Burnside to

a point near St. Norbert, Manitoba

Contractor -

Canadian Bechtel Limited  
Toronto

Status -

Complete and tested



WESTERN SECTION cont'd

Spread #7

(85.2 Miles) -

from a point near St. Norbert to  
the Manitoba-Ontario border.

Contractor -

Majestic Contractors Limited,  
Edmonton

Status -

Complete and tested

CROWN SECTION

Spread "A"

(57.7 Miles)

from Manitoba-Ontario border  
to a point approximately 20 miles  
east of Kenora, Ontario

Contractor -

Dutton-Williams Brothers Ltd.  
Calgary

Status -

Complete and tested



CROWN SECTION    cont'd

Spread "B"                      (94.1 Miles) -

from a point approximately 20  
miles east of Kenora to a point  
near Dymment, Ontario

Contractor -

Morrison-Shivers Limited  
Toronto

Status -

Complete except for testing

Spread "C"

(80.4 Miles) -

from a point near Dymment, Ont.  
to a point near Upsula, Ontario

Contractor -

Majestic-Nelen Joint Venture  
Edmonton

Status -

Complete except for testing



CROWN SECTION    cont'd

Spread "D"

(78.50 Miles) -

from a point near Upsula to  
a point near Port Arthur.

Contractor -

Houston Contracting Company  
Port Arthur

Status -

Complete except for testing.

EASTERN SECTION

Spread 101

85.04 miles total from Sheridan, Ont.

to a point near Newcastle, Ont.

This includes 33 miles of 24-inch  
pipe between Toronto Junction  
and Sheridan, and 52.04 miles of 20-  
inch at the westerly end of the  
Toronto-Montreal line.

cont. next page.....



EASTERN SECTION

cont'd

Spread 101

Contractor -

Oklahoma Pipeline Constructors  
Whitby, Ontario

Status -

Complete and tested

Spread 102

116.0 miles total -

from a point near Newcastle  
to Highway #15 east of Kingston,  
Ontario

Contractor -

Dutton-Williams Brothers Ltd.  
Calgary

Status -

Complete and tested



EASTERN SECTION      cont'd

Spread 103

139.6 Miles total

from a point near Kingston  
to the Lake of Two Mountains,  
approaching Montreal.

Contractor -

Grayco Constructors Canadian  
Limited,  
Toronto and Cornwall, Ontario

Status -

Complete and tested

Spread 104

36.8 Miles total

from a point just east of  
Morrisburg to a point near Ottawa

Contractor -

Majestic Contractors Limited  
Edmonton

Status -

Complete and tested



RIVER CROSSINGS

WESTERN SECTION

West Assiniboine River

Contractor -

Marine Pipeline & Dredging,  
Vancouver

Near Miniota, Man. - involves  
dual lines of 34-inch pipe.

Status -

Complete and tested

East Assiniboine River

Contractor -

Marine Pipeline & Dredging,  
Vancouver

Near Portage la Prairie, Man.

Status -

Complete and tested



RIVER CROSSINGS cont'd

Red River

Contractor -

Marine Pipeline & Dredging,  
Vancouver

Dual Crossing of 34-inch pipe  
near Winnipeg, Manitoba

Status -

Complete and tested

Winnipeg River

Contractor -

River Construction Corp.  
Limited

Near Kenora, Ontario

Status -

North of the two parallel lines  
is installed and tied in. Work is  
nearing completion on the western  
channel crossing for the south  
line.



RIVER CROSSINGS      cont'd

Eagle River

Contractor -

Morrison Shivers Limited

West of Dryden, Ontario

Status -

Complete

Kaministkwia River

Contractor -

Houston Contracting Company

Approximately 15 miles west  
of Port Arthur, Ontario

Status -

Complete



RIVER CROSSINGS . Cont'd

Trent River

Contractor

Marine Pipeline & Dredging  
Vancouver

Approximately four miles  
north of Trenton, Ontario

Status -

Complete and tested

Lake of Two Mountains

Contractor -

Pentzien (Canada) Limited

On the approach to Montreal  
this crossing is 1.2 miles  
in length, the longest on the  
entire Trans-Canada system.

Status -

Complete and tested



All preliminary and construction surveys have been completed on the entire route from Alberta to Montreal.

#### RIGHT - OF - WAY

Right-of-way has been acquired for construction on approximately 95 per cent of the eastern half of the Crown Section and on about 38 per cent of Trans-Canada's Kapuskasing to Toronto Junction section. Favourable progress in acquisitions is now being made along the entire latter section.

#### MATERIALS

Stockpiling of pipe is in progress in preparation for 1958 construction on the east half of the Crown Section and the balance of Trans-Canada's initial system between Kapuskasing and Toronto Junction.

To date, approximately 124 miles of 30" pipe has been received on the Crown Section and 54 miles on Trans-Canada's.

Deliveries are being made on both sections and will continue so that all of the pipe needed for completion of the line from Port Arthur to Toronto will be received by September, 1958.



### METER STATIONS

All metering facilities needed have been completed.

### COMPRESSOR STATIONS

Compressor station sites were acquired as we secured right-of-way easements for the pipeline. Design work and the preparation of construction drawings are proceeding and orders have been placed for major items of equipment.

Stations required for the initial pipeline system will be constructed in 1958 and 1959.



CHARTS OF CONSTRUCTION PROGRESS

Charts on the appended map illustrate the progress of each spread.

The solid black bars indicate work completed to December 1st, 1957.

The diagonally-striped bars indicate work completed during the month of December, 1957.



